

RETURN

(42a.)

To an Order of the House of Commons, dated the 16th November, 1909, asking for a copy of all reports, letters, communications and documents touching or relating to the resignation of Hugh D. Lumsden from his position as Chief Engineer of the National Transcontinental Railway, including a copy of all letters, communications or reports of the said Hugh D. Lumsden to the Prime Minister, touching or relating to his resignation, or to the affairs of the National Transcontinental Railway.

CHAS. MURPHY,
Secretary of State.

COPY OF CORRESPONDENCE IN THE ARBITRATION PROCEEDINGS AND IN RECLASSIFICATION.

Classification of Material, District 'B.'

MONTREAL, QUE., October 7, 1907.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—At the request of District Engineer Armstrong, he was furnished recently with a statement of classification for the heavier work on the above mentioned section which were, when given in detail, so different from his expectations that he requested the writer to visit the work.

During the past week we passed over portions of the work from the Batiscan river west for fifteen or twenty miles, and later, from miles 115 to 132.

With reference to the former portion, the classification was given in distances of from 3 to 5 miles and, as we did not have total quantities of graduation, could not judge with reference to any particular cutting, although percentages for entire distances seemed excessively heavy in both loose and solid rock.

With the latter portion we had detailed percentages for each cut and were greatly surprised at the allowances made for solid and loose rock. In nearly every case, where the cuttings was not entirely all ledge, the estimate given for solid rock is double, or more than double, what it should be. In fact, the specifications had been entirely ignored and an excessive allowance made, not by reason of any error in judgment but, as I understand, by special instructions from the assistant district engineer.

Let me give you some illustrations:

Take the cutting from stations 5818 to 5826, estimated 71 per cent solid rock and 29 per cent loose rock. Slopes taken out $1\frac{1}{2}$ to 1. Very little ledge in this cut. Some large boulders but a very large percentage is common excavation.

Station 5842 to 5860. Classified 94 per cent solid rock, 6 per cent loose rock. Slopes taken out $1\frac{1}{2}$ to 1. Solid rock over-classified at least 100 per cent.

9-10 EDWARD VII., A. 1910

Station 5866 to 5875. Estimated 80 per cent solid rock, 20 per cent loose rock. No rock in place in this cut. Many large boulders but a large amount of earth.

Station 5882 to 5901. Estimated 78 per cent solid rock, 22 per cent loose rock. A large amount of this cut wasted with slip scrapers and ploughing being done with two horses. There are hundreds of yards of earth here without a stone, large or small.

Station 6030 to 6046. Estimated 40 per cent solid rock, 10 per cent loose rock. This is the large sand cut west of O'Brien's camp. Of the 95,000 yards moved to August 31 in this cut at least 80,000 yards were pure sand.

Station 6071 to 6078. Estimated 99 per cent solid rock, 1 per cent loose rock. Very little solid rock in place. Slopes taken out $1\frac{1}{2}$ to 1.

West of the St. Maurice River.

Station 6391 to 6394. Estimated 46 per cent solid rock, 33 per cent loose rock. Sand cut with few boulders and possibly 1,500 yards ledge in bottom of cut not yet taken out.

Station 6493 to 6504. Estimated 20 per cent solid rock, 49 per cent loose rock. No evidence of any ledge and very large boulders. Nearly all sand.

Stations 6506 to 6512. Estimated 16 per cent solid rock, 44 per cent loose rock. This is purely a sand cut, with very few boulders. Upper slope nearly 100 feet high, material wasted into river. Certainly not 10 per cent of this should be classified.

Station 6522 to 6548. Estimated 26 per cent solid rock, 49 per cent loose rock. This is borrowed material from the side. Very little solid rock shown except what was used for blind drains but some large boulders not placed in embankment.

On account of heavy rains we were not able to go west of station 6600, but we understand that classification is made about as noted above.

In every case where cuttings are not entirely in ledge we find the material over-classified very largely. Mr. Armstrong has been able to visit this work at different times, perhaps quite as often as the Assistant District Engineer. His estimates and my own are not very different as to the amount of classified material and until he received detailed quantities he had no intimation that such heavy classification had been given. In many cases, particularly in sand and gravel cuts, he had supposed that no classification would be given, except perhaps for a few boulders as loose rock.

I am informed also that on the work east of the St. Lawrence river, heavy classification is being made in borrowed material where ploughing is done with one team and material moved in slip scrapers.

As before stated, these over-classifications are not made through error in judgment nor upon the decision of the Resident or Division Engineers, who are fully acquainted with the character of the work, but by arbitrary orders from their superior. To such classification as mentioned above, increasing the cost of the work to such an alarming extent, we most seriously protest and respectfully request that either yourself or the Assistant Chief Engineer visit the work and pass judgment upon the classification as made. Please note that the percentages given above indicate the work done to August 31. We are not advised what the September estimate will be.

H. A. WOODS.

MONTREAL, P.Q., October 8, 1907.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—Referring to my letter of the 7th inst., *re* classification of material on section B, please correct error in item: 'Station 5842 to 5860. Classified 90 per cent

SESSIONAL PAPER No. 42a

solid rock, 6 per cent loose rock. Slopes taken out $1\frac{1}{2}$ to 1. Solid rock over-classified at least 100 per cent,' instead of loose rock as mentioned in letter.

Kindly make correction in letter.

H. A. WOODS,
Assistant Chief Engineer.

MONTREAL, P.Q., November 4, 1907.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—Referring to my letter of the 1st instant, replying to yours of October 29th *re* classification, section 'B,' and the advisability of our putting a money value on the difference of estimates returned June to September inclusive, I have to say that Mr. Armstrong was here on Saturday, and we went over estimates on the O'Brien and Martin contract, as far as possible.

We find the estimates for solid rock on the portions of the work, sections 5763 to 6140, was 58 per cent of total quantities in the month of June, and for the September estimate a trifle less than 73 per cent. I take it this is where the claim of 14 per cent difference was made. However, this increase in allowance for solid rock is not merely for the work performed from June to September, but includes the entire quantities since the work was opened. If you will glance over the percentages of solid rock allowed from August, 1906, you will see what a remarkable showing is made on this piece of work and why we are so strenuously objecting to the classification. On this account we are not able, at the present time, to put a value on the actual work performed.

We desire it understood that, with the classification made under the interpretation put upon clause 34 in the specification by District Engineer Doucet and his assistants, we shall be obliged to object to the same for the entire district.

H. A. WOODS,
Assistant Chief Engineer.

January 10, 1908.

CHAS. M. HAYS, Esq.,
President Grand Trunk Pacific Railway Company,
Montreal, Que.

DEAR Mr. HAYS,—The inclosed document, which has been prepared after discussion which took place yesterday, is now ready for your signature. I succeeded in having it approved by our board, and if you will sign the two copies herewith attached and return same, I shall in turn do likewise and forward one to you for file. At the same time I inclose a copy of this draft of agreement, with the changes made in lead pencil by Mr. Bigger.

Hoping this will dispose of the matter,

I remain,

S. N. PARENT.
10th Jan., 1908.

Memorandum of Agreement to be Drawn Up Between the Commissioners of the Transcontinental Railway and the Grand Trunk Pacific Railway Company.

Monthly estimates for contractors shall be submitted promptly from time to time by the Chief Engineer of the Commissioners to the Company's Assistant Chief Engineer at Montreal for approval. If he has any objection to such estimates he shall promptly file the same with the Chief Engineer of the Commissioners, and any

9-10 EDWARD VII., A. 1910

objections from time to time filed shall thereupon be considered, and, if possible, determined by the said engineers, and in case of their failure to agree, may then or at any time before or at the time of the final payment, at the option of either party, be considered and determined by arbitration as provided in the agreement of the 29th July, 1903, but in no case shall the payment of monthly estimates be delayed except with the consent of the Commissioners.

In case the Chief Engineer of the Commissioners and the Assistant Chief Engineer of the Company disagree as to the final payment, the same shall be withheld until the matter is determined by arbitration, as provided in the said agreement of 29th July, 1903.

Personal.

Grand Trunk Pacific Railway.

January 14, 1908.

Hon. S. N. PARENT,
Chairman, Transcontinental Railway Commissioners,
Ottawa, Ont.

DEAR MR. PARENT,—I have yours of January 10th, with memo. in duplicate as to contractors' monthly estimates, etc., for which I am obliged. I have, as requested, initialed both copies, and herewith return for the approval of the Commissioners, which kindly initial and return for my files.

CHAS. M. HAYES.

15th January, 1908.

CHAS. M. HAYS, Esq.,
President,
Grand Trunk Pacific Railway Company,
Montreal, P.Q.

DEAR MR. HAYS,—Your letter of yesterday enclosing memo. in duplicate relative to contractors' monthly estimates, &c., agreed upon and bearing your initials, has come to hand. After both copies were initialed by the Chief Engineer and myself, I now return one of them to you, as desired, for file.

S. N. PARENT.

MONTREAL, P.Q., February 14, 1908.

H. D. LUMSDEN, Esq.,
Chief Engineer, National Transcontinental Railway,
Ottawa, Ont.

RE CLASSIFICATION.

DEAR SIR,—Referring to correspondence and conversation on this subject, I understand that you have recently issued instructions to your district engineers relating to same. Will you be good enough to send me a copy of these instructions, so that my assistants may know just what to expect with regard to classification while going over the work.

From reports received from our district engineers on districts 'B' and 'F' we understand that, in their judgment, the work in places is largely over-classified, particularly in borrowed material, where no ledge exists. Would it not also be possible that resident engineers, in returning estimates, should show in cuttings the amount of material found in ledge, also the amount of material classified as solid rock and boulders and what, I understand, you term 'assembled rock.' If this could be done I think it would be of advantage not only to us, but would give you information in your office, which would be of great use to you in questions arising between this company and the commissioners.

H. A. WOODS,
Assistant Chief Engineer.

SESSIONAL PAPER No. 42a

February 20, 1908.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I beg to acknowledge receipt of your favour of the 17th instant, file 7787, giving your interpretation of clause 34, 35 and 36 of our specifications, with blue prints, and explanation of same, also copy of your instructions to your engineers.

We are quite satisfied with your interpretation of the specifications and with your instructions, which are explicit. I do not know the date of those instructions or when they are supposed to have become effective, but, from reports from my assistants at Winnipeg and Quebec, there does not seem to have been any change in classification of work previously reported, the percentage of classified material being steadily increased.

We are satisfied that on some parts of the line the work previously estimated was not classified according to your recent instructions, being overestimated in both loose and solid rock. The attention of your District Engineers has been called to this fact, but apparently without effect. If your instructions were effective when the January estimates were made we certainly will have to object to the classification as rendered on certain parts of the work.

H. A. WOODS,
Assistant Chief Engineer.

MONTREAL, QUE., March 24, 1908.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I desire to acknowledge receipt of your favour of the 20th instant, together with contractors' progress estimates for the month of February, as follows:—

District 'B.'—Messrs. M. P. & J. T. Davis, mile 0 to 50, west of the St. Lawrence river.

Messrs. M. P. & J. T. Davis, mile 0 to 150, easterly from the Quebec bridge.

Messrs. Macdonell & O'Brien, mile 50 to 150, westerly from the Quebec bridge.

District 'F'—Mr. J. D. McArthur, mile 0 to 245.

Completing return for February.

In examining these estimates I find no apparent change in classification since your instructions to district engineers of January 28, 1908. On the contrary the percentages of classified material seem to be constantly increasing and are even higher than when we made our objections in September last.

I am quite aware that during the winter season it is natural that classified material should run higher than at other times, as little earth work is opened, but I had hoped to see a reduction in classified material so reported prior to January last.

I have before me a detailed sheet showing classification as made on District 'B,' and am surprised to find material classified as solid rock which, if I am correctly informed, under your instructions could only be classified as loose rock. I also find very large quantities returned both as loose and solid rock in borrowed embankment. On the work east of the Quebec bridge a large amount was done with teams, side borrowed material, and yet the entire contract for the 150 miles only shows 24% of of the work done as common excavation. It appears also that the item 'Assembled Rock,' No. 5, in your instructions, is made to cover most material where explosives are used in handling.

9-10 EDWARD VII., A. 1910

In excavations for foundations, where hard material is found, under this item it is classified as solid rock, giving the contractor three times the usual price for that material. Our district engineers are not satisfied with the classification as made. On District 'F' the objection lies in the first and second divisions.

It is impossible at this time to go over the work with a view of examining classification, but, from reports from my assistants, I certainly must object to the classification as rendered being considered final, and request that as soon as the season will permit, you accompany me over at least a part of the line, that I may have your views in regard to this most important matter of classification.

H. A. WOODS,
Assistant Chief Engineer.

Overbreak, Rock Cuttings, District 'F.'

MONTREAL, QUE., March 30, 1908.

HUGH D. LUMSDEN, Esq.,
Chief Engineer, Eastern Division,
National Transcontinental Ry.,
Ottawa, Ont.

DEAR SIR,—I have before me a statement showing quantities of overbreak on this district for the months of January and February of the present year, showing percentage of overbreak for January to be 16.57 and February 14.65, and that the total quantities estimated in cuttings outside slope stakes to February 28 is 409,141 cubic yards. Of this amount some 93,000 cubic yards has been used in embankments where rock borrow otherwise would have been rendered necessary and about 45,000 cubic yards where common excavation might have been borrowed. This leaves a very large percentage of actual waste, much more than seems at all necessary.

While we well know that it is not possible for contractors to work with exact slope line in all cases, we are satisfied that little, if any, attention has been paid, in some instances, to the amount of overbreak by sub-contractors. It would seem that where sub-contractors use explosives indiscriminately and without regard to the amount of material moved outside of slope stakes, they should not be paid for this overbreak.

I call your attention to this matter at this time as yardage is increasing from month to month and will continue to do so unless some measures are taken by yourself to keep this matter within reasonable limits.

H. A. WOODS,
Ass't. Chief Engineer.

MONTREAL, P.Q., April 21, 1908.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I desire to acknowledge receipt of your favour of the 17th inst., together with copies of progress estimates, Eastern Division, for the month of March, as mentioned therein.

There are few exceptions to be taken to these estimates, so far as I am advised, except to the classified material, which is constantly increasing, and the very large amount of overbreak in solid rock cuttings also increasing and representing in all a very large amount.

With reference to classification, I have to say that, in compliance with your request, I have directed my assistants to give me the location by stations and mileage of points where, in their opinion, the classification, as rendered, is higher than it

SESSIONAL PAPER No. 42a

should be under your interpretation of the specifications and your instructions to your assistants dated January 30 last. I am in receipt of a letter from District Engineer Mann giving a list of the different divisions, District 'F,' where objections lie as to classification as rendered, copy of which I enclose herewith.

From the list you will note that he takes exception to the classification returned in nearly all of Division No. 5, except, perhaps, some ten or twelve cuttings, probably wholly of solid rock. On Division No. 6, aside from solid rock cuttings, the objections are nearly as great as on Division No. 5. You will further note from the enclosed list that the larger proportion of over-classification is on the part of the line included on Divisions Nos. 5 and 6.

After his inspection late last fall, District Engineer Mann seemed very well satisfied with the classification on Divisions 7, 8 and 9, but he now advises that he thinks that classification is increasing on that part of the line and is now much too high. In his letter of transmittal of this list, District Engineer Mann writes as follows:—

‘. . . . The classification varies greatly over this district. While in some cases the amount of loose and solid rock is not very greatly in excess, in others, where large amounts of the high priced material have been allowed, and only a small amount of common excavation, the proportion should be reversed. There is nothing in the estimates to show what is solid ledge. I have been asking for this information for several months, in fact since September last, but have not yet received it. Will turn the question to you now and ask that I be furnished this information as soon as possible, so that I can have it on my next inspection trip over the line.’

From the inclosed list you will note that Mr. Mann makes objections not only to classification in cuttings, but also to borrowed material. On mile 25, Stations 1267 to 1280, there appears in this estimate a considerable amount of loose rock for the first time. Of the 25,000 cubic yards returned, 44 per cent is classified. Both Mr. Mann and Mr. Heaman claim that no classification should be given in this material.

We feel that this question of over-classification must be settled in the near future. Many of the sub-contractors will soon be completing their work and undoubtedly will receive final payment for same, and if they are paid upon estimates as returned at present, general contractors will naturally object to any change in their estimates.

While I have no list like the inclosed from district 'B,' reports from my assistant indicate there that east of the river his objections lie to the classification generally as returned. A very large amount of borrowed material through farming country has been returned as loose rock. Of the entire work done to date on this section, 77:6 per cent is classified material, nearly evenly divided between loose and solid rock.

You will recall that in September last we made great objections to the classification as returned west of the St. Lawrence river. Later, you visited a small section of the work, and I think have been in a position to decide upon at least that portion of the work for several months, and still no action has been taken to change estimates as then made or as since returned. We ask now that at the earliest possible moment you will visit each of these sections and make a decision on these points, that we may know whether further action will be taken.

H. A. WOODS,
Assistant Chief Engineer.

9-10 EDWARD VII., A. 1910

LIST OF CUTTINGS, BORROWS, ETC., ON DISTRICT 'F,' IN WHICH THE CLASSIFICATION IS OBJECTED TO AS BEING TOO HIGH.

Division No. 5.

Station 262 to station	mile 5—	Station 1383 to station 1398, mile 27—	
" 301 " 311, "	6—	" 1429 " 1434, "	28—
" 316 "	6—	" 1436 " 1453, "	28—
" 331 " 340 "	7—	" 1475 " 1391, "	28½—
" 353 " 366, "	7—	" 1499 " 1508, "	29—Ditches.
" 375 " 382, "	8—	Station 1513 to station 1531, mile 29—	
" 497 " 506, "	10—	" 1531 " 1546, "	30—Cuttings and ditches should be separated.
" 513 " 519, "	10—		
" 528 " 547, "	11—	" 1548 " 1553, "	30—Includes ditches as often as occurs.
" 553 " 566, "	11—		
" 571 " 577, "	11—	" 1572 " 1584, "	30—
" 612 " 619, "	12—	" 1600 " 1614, "	31—Borrow ditches.
" 633 " 639 "	12—		
" 651 "	13—	" 1622 " 1636, "	31—
" 653 " 657, "	13—	" 1655 " 1658, "	32—
" 659 " 667, "	13—	" 1674 " 1679, "	32—
" 670, " 675, "	13—Ditch.	" 1683 " 1689, "	32—
" 674 " 681, "	13—	" 1703 " 1721, "	33—Borrow ditches.
" 711 " 716, "	14—		
" 727 " 737, "	14—	" 1726 " 1740, "	33
" 747 " 761, "	15—	" 1751 " 1762, "	34—
" 767 " 771, "	15—	" 1765 " 1795, "	34—Borrow.
" 783 " 800, "	15—	" 1801 " 1810, "	35—
" 820 " 826, "	16—	" 1816 " 1836, "	35—
" 820 " 826, "	16—	" 1873 " 1899, "	36
" 820 " 860, "	16½—Ditches.	" 1913 " 1920, "	37—Borrow ditches.
" 835 " 844, "	16—		
" 859 " 873, "	17—	" 1920 " 1929, "	37—
" 889 " 897, "	17—	" 1927 "	37—Drainage ditch.
" 912 " 922, "	17—		
" 886 " 890, "	17—Ditch.	" 1953 " 1960, "	37—
" 929 " 937, "	18—Cut and ditches.	" 1990 "	38—
		" 2021 " 2031, "	39—
" 941 " 950, "	18—	" 2063 " 2070, "	40—
" 955 " 962, "	19—	" 2064 " 2106, "	40—
" 966 " 984, "	19—	" 2081 " 2087, "	40—Stripping unnecessary.
" 986 " 992, "	19—		
" 1033 " 1042, "	20—	" 2147 " 2183, "	42—
" 1047 " 1054, "	20—	" 2230 " 2242, "	43—
" 1060 " 1063, "	21—	" 2257 " 2264, "	43—
" 1062 " 1068, "	21—	" 2288 " 2295, "	44—
" 1075 " 1079, "	21—	" 2315 " 2319, "	44—
" 1095 " 1100, "	21—	" 2319 " 2323, "	44—
" 1108 " 1123, "	22—	" 2323 " 2335, "	45—
" 1186 " 1105, "	23—		
" 1214 " 1227, "	24—	" 2368 "	45—Culvert excavation.
" 1220 "	24—Ditch.		
" 1254 " 1267, "	24—Borrows.	" 2371 " 2377, "	45—
" 1282 " 1290, "	25—	" 2381 " 2391, "	46—
" 1308 " 1313, "	25—	" 2403 " 2409, "	46—
" 1313 " 1356, "	26—Ditches.	" 2425 " 2436, "	47—
" 1375 " 1383, "	27—Riprap not allowable here.	" 2443 " 3449, "	47—
		" 2456 " 2468, "	47—

Division No. 6.

Station 2474 to station 2492, mile 47—	Station 2994 to station 2997, mile 57—
" 2546 " 2554, "	" 3024 " 3026, "
" 2562 " 2570, "	" 3067 " 3069, "
" 2619 " 2626, "	" 3160 " 3163, "
" 2700 " 2706, "	" 3195 " 3200, "
" 2711 " 2714, "	" 3226 " 3229, "
" 2727 " 2734, "	" 3236 " 3239, "
" 2756 " 2765, "	" 3252 " 3255, "
" 2777 " 2793, "	" 3295 " 3287, "
" 2894 " 2896, "	" 3322 " 3335, "

SESSIONAL PAPER No. 42a

LIST OF CUTTINGS, BORROWS, &c., ON DISTRICT 'F' IN WHICH THE CLASSIFICATION IS OBJECTED TO AS BEING TOO HIGH.

Division No. 6.—Continued.

Station 3460 to station 3475, mile 66—				Station 4061 to station 4070, mile 77—			
"	3488	"	3498, " 66—	"	4075	"	4070, " 77—
"	3540	"	3542, " 67—	"	4107	"	4114, " 78—
"	3612	"	3613, " 69—	"	4117	" " 78—Ditch.
"	3616	"	3618, " 69—	"	4124	"	4128, " 78—
"	3701	"	3800, " 71½—Cuts, bor-	"	4143	"	4153, " 79—
			rows, &c.	"	4163	"	4179, " 79—
"	3800	"	"3850, " 73—Cpts, bor-	"	4181	"	4183, " 79—Ditch.
			rows, &c.	"	4190	"	4201, " 80—
"	3870	" " 74—Ditch.	"	4213	"	4220, " 80—
"	3868	"	3875, " 74—Ditches.	"	4235	"	4240, " 81—
"	3917	" " 75—Borrow.	"	4264	"	4277, " 81—
"	3957	"	3960, " 75—	"	4383	"	4389, " 83—
"	3969	"	3972, " 76—	"	4478	"	4483, " 85—
"	3974	"	3977, " 76—	"	4485	"	4490, " 85—
"	3980	"	3982, " 76—	"	4491	"	4505, " 85—
"	3984	"	3992, " 76—	"	4559	"	4563, " 87—
"	3990	"	4000, " 76—	"	4664	"	4266, " 89—
"	4054	"	4061, " 77—	"	4686	"	4694, " 89—

Division No. 7.

Station 2415 to station 2401, mile 91—							
"	2327	"	2312, " 93—	"	940	"	948, " 119—
"	2297	"	2312, " 93—	"	882	"	888, " 120—
"	2297	"	2292, " 93—	"	872	"	873, " 120—
"	2004	"	2011, " 99—	"	715	"	721, " 123—
"	1761	"	1767, " 103—	"	628	"	632, " 125—
"	1745	"	1760, " 103—	"	593	"	610, " 125—
"	1716	"	1732, " 104—	"	433	"	443, " 128—
"	1580	"	1593, " 106—	"	419	"	424, " 129—
"	1576	"	1578, " 107—	"	366	"	375, " 130—
"	1546	"	1559, " 107—	"	348	"	360, " 130—
"	1509	"	1524, " 108—	"	335	"	348, " 130—
"	1504	"	1507, " 108—	"	321	"	334, " 130—
"	1352	"	1360, " 111—	"	234	"	239, " 132—
"	1306E	"	1302,W " 112—	"	217	"	227, " 132—
"	1089	"	1078, " 116—	"	90	"	85, " 135—
"	1078	"	1070, " 116—	"	80	"	74, " 135—
"	1070	"	1038, " 111½/117	"	520	"	540, " 137—
"	994	"	980, " 118—	"	505	"	481, " 138—
				"	465	"	473, " 138—

Division No. 8.

Station 7586 to station 7593, mile 140—							
"	7614	"	7620, " 141—	"	7816	"	7857, " 145—
"	7682	"	7688, " 142—	"	8224	"	8227, " 152—
"	7788	"	7781, " 144—	"	8278	"	8286, " 153—

MONTREAL, April 23, 1908.

Mr. HUGH D. LUMSDEN,
 Chief Engineer, Eastern Division,
 National Transcontinental Railway,
 Ottawa, Ont.

DEAR SIR,—With further reference to our objections to classification on District 'B' and points at which we desire you to examine for purpose of inspecting, I quote from District Engineer Armstrong's letter of the 21st inst.:—

As typical classification I would mention the following cuts on the contract east of the Quebec bridge:—

Stations 7,871 to 7,878	Res. 4.
" 7,086 to 7,182	" 5.
" 6,039 to 6,051	" 7.
" 6,000	" 7.
" 3,880 to 3,890	" 10.

9-10 EDWARD VII., A. 1910

Almost any cut on residencies 10 or 11 will do. These examples are given, not as being the only ones, but a visit to any one of these will show the classification given generally, and whatever agreement or disagreement is arrived at on one cut will apply to probably 75% of the cuts on the whole work.

As examples of borrow with classification I may instance the following as examples: Mile 15 to Mile 23".

The above for your information.

H. A. WOODS,
Assistant Chief Engineer.

OTTAWA, April 24, 1908.

The COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

SIRS,—I beg to submit three letters received from Mr. H. A. Woods, Assistant Chief Engineer of the Grand Trunk Pacific Railway, the first dated the 21st instant, in which he takes exception to the classification on about 153 miles of District 'F,' and gives a list of 196 points at which the classification is claimed to be excessive; the second letter, dated the 23rd instant, in which he objects to the classification generally in District 'B,' east of the St. Lawrence river, and especially mentions five cuttings at various points and also refers to the classification in borrow pits between miles 15 and 23; the third letter is dated March 24, and in this he makes a general complaint as to the classification in both districts 'B' and 'F,' but gives no definite points at which these objections are raised.

As he has now taken objection in a definite form to our classification in both districts 'B' and 'F,' and as, in my opinion, these are questions which it was intended should be settled under the agreement made between you and the Grand Trunk Pacific on January 10 last, in conformity with Clauses 7 and 4, Chap. 71, 3 Ed. VII, I am writing Mr. Woods to appoint a day at as early a date as possible where we could have a conference either here or in Montreal so as to arrange dates for arbitrating the points in dispute promptly and for the appointment of the third arbitrator.

HUGH D. LUMSDEN,
Chief Engineer.

OTTAWA, April 24,, 1908.

HUGH D. LUMSDEN, Esq.,
Chief Engineer.

DEAR SIR,—I beg to advise you that the Board has approved your contemplated action, as reported by your letter of even date, with respect to the objections filed by Ass't. Chief Engineer Woods with respect to the classification in Districts 'B' and 'F.'

P. E. RYAN.

OTTAWA, May 6, 1908.

HUGH D. LUMSDEN, Esq.,
Chief Engineer.

DEAR SIR,—Referring to your letter of the 24th April ultimo, submitting copies of three letters received by you from Mr. H. A. Woods, assistant chief engineer of the Grand Trunk Pacific Railway, in which objections are made to classification in Districts 'B' and 'F,' you did not submit a copy of the list showing the 196 points in district 'F' at which the classification is claimed to be excessive. This is required to complete the record. Please send to me at once.

P. E. RYAN.

SESSIONAL PAPER No. 42a

OTTAWA, May 7, 1908.

P. E. RYAN, Esq.,
Secretary.

DEAR SIR,—I beg to hand you herewith, as requested, copy of list, which accompanied Mr. Woods' letter to me of the 21st ultimo, showing 196 points where the classification is claimed to be excessive in District 'F.'

HUGH D. LUMSDEN,
Chief Engineer.

OTTAWA, May 11, 1908.

Hon. S. W. PARENT,
Chairman, Transcontinental Railway Commission,
Ottawa.

MY DEAR PARENT,—It is very desirable, in my opinion, that the Commission should at once, by formal letter, instruct Mr. Lumsden to proceed with the arbitration contemplated by section 7 of the Transcontinental agreement, and arrange for a conference with the Chief Engineer of the Grand Trunk Pacific. By so doing, the tribunal, which is to determine the correctness of the engineers' classification would be constituted, and all matters of differences would properly be before them and be dealt with and decided upon by them.

WILFRID LAURIER.

12th May, 1908.

The Rt. Hon. Sir WILFRID LAURIER,
Prime Minister.

DEAR SIR WILFRID,—In reply to your letter of yesterday, received this morning, it gives me pleasure to inform you that the Commissioners have already, on April 24 last, taken steps in the direction suggested by you. Indeed, the Chief Engineer, Mr. Lumsden, was instructed on that date to communicate with his colleague of the Grand Trunk Pacific Company for the purpose of proceeding with the arbitration provided for in the Transcontinental Act. Consequently, he advised the Chief Engineer of that company, as per agreement made between them and our commission on January 10 last, in order to agree upon the choice of the third arbitrator and then be able to start with the consideration of disputable matters coming under the jurisdiction of that tribunal.

S. N. PARENT.

MONTREAL, Que., June 19, 1908.

HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I have before me estimate of rock excavation, District 'F,' for the month ending April 30, 1908. You will recall these statements as being made showing the overbreak on each division from month to month.

It is a little surprising to find that the total over break on this district to April 30, is over 500,000 cubic yards. From the column furnished showing how some of this might have been used where rock borrow otherwise would have been required, and earth borrow, and deducting the same, I still find about 451,000 cubic yards of over break.

9-10 EDWARD VII., A. 1910

I have nothing to show how this overbreak is estimated. Articles 37 and 38 would indicate that a large amount of this overbreak might have been estimated as loose rock rather than solid. Can you say if this has been done? None of my reports indicate such to be the case. I think you will readily agree with me that if these cuttings are being measured month to month by actual quantities taken out, and no allowance deducted, little effort will be made by the contractors to keep overbreak within reasonable limit and in the end we shall undoubtedly be paying \$1,000,000 additional for the work on this section probably not contemplated in your approximate estimates.

H. A. WOODS,
Assistant Chief Engineer.

MONTREAL, Que., June 26, 1908.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I have your letter of June 24, in answer to mine of the 19th, *re* overbreak, District 'F,' and am not surprised that you fail to see how I arrive at the amount of 451,000 cubic yards. This is purely a clerical error. What I intended to say was about 350,000, and that was only an approximate amount. From the statement as rendered I cannot make out what is intended in the claim 'actual waste in overbreak,' where there is only a very small amount named, or the column marked 'indefinite,' where the amount is very large.

I regret that this clerical error should have occurred, and I shall be glad if you will give me your version of what would be considered overbreak to April 30, on this section. In the column 'amount to date in fills where earth borrow could have been had,' should not the extra amount be the difference in price for the yardage between rock fill and earth fill? We will have an opportunity to talk more on this subject when together the coming week.

H. A. WOODS,
Assistant Chief Engineer.

MONTREAL, QUE., October 2, 1908.

HUGH D. LUMSDEN,
Chief Engineer, Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I have just received from District Engineer Mann estimate of rock excavation on the different divisions, District 'F,' for the month ending June 30, 1908.

This estimate is made for the purpose of showing overbreak in rock excavation, and I am surprised to see that the percentages of overbreak for June equals 21.23 per cent of the total excavation. Mr. Mann writes that in this total is included all rock whether in borrow cutting or classification of any kind. I really cannot understand how there could be any overbreak in borrowed material, and I think Mr. Mann's remarks require explanation. In any event the total yardage of overbreak to June 30 last is, as you no doubt have observed, 715,402 cu. yards. The report under consideration does not show as some of the former reports have, the amount of this overbreak that was used in embankment where solid rock borrowed otherwise would have been used, but generally speaking I think that the amount used in embankments is comparatively small.

Kindly give this matter attention and oblige,

H. A. WOODS,
Assistant Chief Engineer.

SESSIONAL PAPER No. 42a

OTTAWA, October 8, 1908.

The Commissioners of the Transcontinental Railway, Ottawa, Ont.

SIRS,—On July 22, last, I wrote to Mr. H. A. Woods, Assistant Chief Engineer of the Grand Trunk Pacific Railway stating that I could not agree with him *re* classification, and suggesting the names of the following as a third arbitrator under clauses 7 and 4 of the agreement in 3rd Ed. VII., Chap. 71.

Henry McLeon, C.E., Ottawa, Ont.

Wm. McCarthy, C.E., Winnepeg, Man.

T. E. Hillman, C.E., Hamilton, Ont.

To this I have had no definite reply, though on July 28, August 18 and September 10, I have asked for same by letter or wire, and verbally on October 5.

I am given to understand that Mr. Morse is at present in the west, but suggest if this matter is not settled immediately after his return, application be made to the Chief Justice of the Supreme Court of Canada to appoint the third arbitrator in accordance with clause 4 of the agreement above referred to, so that disputes may be settled promptly and not hold over until the contracts are completed.

HUGH D. LUMSDEN,
Chief Engineer.

OTTAWA, October 12, 1908.

HUGH D. LUMSDEN, Esq.,
Chief Engineer.

DEAR SIR,—I beg to advise you that the Board has approved the recommendation contained in your letter of the 8th instant, with respect to the appointment of the third arbitrator to adjust the differences between the engineers of the Commissioners and those of the Grand Trunk Pacific Company as to classification.

P. E. RYAN.

MONTREAL, Que., November 16, 1908.

Mr. H. D. LUMSDEN,
Chief Engineer, N. T. Railway Commission,
Ottawa.

DEAR SIR,—The differences between the Transcontinental Railway Commissioners and our company on questions arising in respect of the construction of the Eastern Division have already formed the subject of considerable correspondence between Mr. Woods and yourself, and I notice that lately the advisability of referring those questions to arbitration, under Clause 7 of our agreement with the government, has been under consideration.

I am of your opinion that, in view of the differences between us respecting the work, we had better call in a third arbitrator to determine these questions, as in the said clause provided. The gentlemen whose names you mention would no doubt capably fill the office of third arbitrator, but as I am not sufficiently acquainted with them to have any personal knowledge of their qualifications, I cannot well concur in the appointment of any one of them.

I have therefore cast about in my mind for someone sufficiently well known to each of us who might fill the position and about whose ability there could be no question.

I think when I mention the name of Mr. Collingwood Schreiber, you will agree with me that there is not in the Dominion an engineer more qualified by ability and experience to discharge the duties of third arbitrator.

9-10 EDWARD VII., A. 1910

Mr. Schreiber is a man of undoubted integrity and is, as you know, at the present time, and for some time past, engaged in settling with respect to the Western Division precisely similar questions as have now arisen with respect to the Eastern Division. I should say that where it is a case of the same questions and between the same parties on both divisions, Mr. Schreiber is as competent to speak upon one as the other, and no one, in my opinion, is more so.

If Mr. Schreiber should be mutually acceptable, I would suggest that we ask our lawyers to prepare a formal submission to arbitration which shall enumerate the differences to be adjusted and prescribe the mode of procedure to be followed.

In regard to these differences, the most serious is the question of classification; in addition to which, however, there are others, such as the questions of overbreak and waste, extra work, a too expensive system of construction, all of which should be included in the scope of reference. In fact, I would suggest a conference for the purpose of reviewing and collecting the various matters on which we differ, and all these should be embraced in the reference and specifically set forth in the formal submission.

As my sojourn in the East will likely be short, I shall be personally obliged if you can favour me with an early reply; although I am aware that my absence in the West has already been the cause of some delay.

B. B. KELLIHER,
Chief Engineer.

November 20, 1908.

COL. COLLINGWOOD SCHREIBER, Esq.,
General Consulting Engineer to the Government,
Ottawa, Ont.

DEAR SIR,—In a letter from Mr. B. B. Kelliher, Chief Engineer of the Grand Pacific Railway, dated the 16th instant, he suggests your name as third arbitrator on questions arising between Mr. Kelliher and myself in respect to the construction of the Eastern Division of this railway, but before taking any further steps, you will greatly oblige by informing me, if you can find the time, and are prepared to accept such an appointment.

HUGH D. LUMSDEN,
Chief Engineer.

OTTAWA, November 21, 1908.

HUGH D. LUMSDEN, Esq.,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa.

DEAR SIR,—In reply to your communication of yesterday's date, informing me that Mr. B. B. Kelliher, Chief Engineer of the Grand Trunk Pacific Railway, had suggested my name as third arbitrator on questions arising between he and you, in respect to the construction of the Eastern Division of the National Transcontinental Railway; I may explain that not being aware of the extent and nature of the questions in dispute between you, I am unable to answer as to whether or not I can find the time to assume the position of third arbitrator, and further, in my case, I only accept duties or office such as I am requested to do by the Prime Minister, but whatever duties he assigns me, I undertake to carry out to the best of my ability.

COLLINGWOOD SCHREIBER.

SESSIONAL PAPER No. 42a

OTTAWA, January 5, 1909.

HUGH D. LUMSDEN, Esq.,
Chief Engineer.

DEAR SIR,—Will you please report to the Board on the matter of the appointment of a third arbitrator to act with yourself and the Chief Engineer of the Grand Trunk Pacific Company for the settlement of all differences between our engineers and those of the company with respect to the classification of material under our contracts for construction. Since you last wrote the Board on October 8, it is understood you have had some correspondence in this matter, and the Commissioners will be glad to obtain your views as to the possibility of an arbitration at an early date to settle up all outstanding differences with the Grand Trunk Pacific Company relating to classification.

P. E. RYAN.

OTTAWA, January 7, 1909.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

SIRS,—In regard to the arbitration between the Grand Trunk Pacific Railway Company and ourselves, in connection with classification at various points on the line, I beg to submit the following report supplementary to my letter to you of the 8th of October, 1908.

On the 16th of November last, I received a letter from Mr. B. B. Kelliher, Chief Engineer of the Grand Trunk Pacific Railway, suggesting Mr. Collingwood Schreiber as third arbitrator, and I at once verbally communicated with Mr. Schreiber, and on the 20th wrote him, and received his reply, copies of which I attach. Since that date I have verbally communicated with him on several occasions in regard to the matter, and he is prepared to undertake it with consent of the Prime Minister, providing it will not interfere with his duties as Engineer of the Western Division of the Grand Trunk Pacific Railway, and that it can be carried on prior to a date not later than the 15th of May next. On seeing him yesterday, he stated that he agreed with me that it would be a farce to go into this matter with the snow on the ground, but as soon as it disappeared he would be prepared to proceed, and do all possible before the above mentioned date, viz.: May 15th, and I am of the opinion that an examination of the work will be practicable on or about the 1st of April next.

I concur in the recommendation made by Mr. Kelliher in his letter to me of the 16th of November, and therefore recommend the appointment of Mr. Collingwood Schreiber as third arbitrator under clauses 7 and 4 of the agreement dated the 29th of July, 1903, and will notify Mr. Kelliher to that effect, and also that we will be prepared to proceed with the arbitration on or about the 1st of April next, or as soon as the snow is sufficiently gone.

HUGH D. LUMSDEN,
Chief Engineer.

OTTAWA, January 11, 1909.

HUGH D. LUMSDEN, Esq.,
Chief Engineer.

DEAR SIR,—I beg to advise you that your report of the 7th instant advising your concurrence in the nomination made by Mr. B. B. Kelliher, Chief Engineer of the Grand Trunk Pacific Railway, of Mr. Collingwood Schreiber as the third arbitrator to pass on the differences existing between our engineers and those of the Grand Trunk Pacific Company with respect to the work on the Eastern Division, was to-day considered by the Board and approved.

9-10 EDWARD VII., A. 1910

It is understood that the arbitration is to proceed without delay as soon as it is practicable to do so.

P. E. RYAN,
Secretary.

January 16, 1909.

B. B. KELLIHER, *Esq.*,
Chief Engineer, Grand Trunk Pacific Ry.,
Montreal, P.Q.

Re appointment of third arbitrator.

DEAR SIR,—Yours of the 13th instant duly received, and in reply may say that it must be understood that classification alone, or matters relating thereto, are to be taken up now, as mentioned in your assistant, Mr. Wood's letters to me of the following dates:

October 7, 1907.
October 8, 1907.
November 4, 1907.
February 14, 1908.
February 20, 1908.
March 24, 1908.
April 21, 1908.
April 23, 1908.
June 23, 1908.
July 8, 1908.
July 28, 1908.

Objections have also been made as to the amount of overbreak in cuttings in District 'F' in the following letters from Mr. Woods, which might also be looked into at the same time:

March 30, 1908.
June 19, 1908.
June 26, 1908.
October 2, 1908.

H. D. LUMSDEN.

February 1, 1909.

B. B. KELLIHER, *Esq.*,
Chief Engineer, G.T.P. Ry.,
Montreal, P.Q.

DEAR SIR,—I beg to suggest that, as Mr. Collingwood Schreiber is acceptable to both of us as third arbitrator in matters of dispute under clauses 7 and 4, 3rd Ed. VII, Chap. 71, and he has agreed to act as such with the consent of the Prime Minister, we send him a joint letter asking him to act. If you think well of this, please sign the enclosed in quadruplicate, and on receiving them here, I will sign the same, and will ask Mr. Schreiber also to sign as accepting the position, after which, I will return two copies to you.

In regard to yours of the 19th ultimo. The questions of classification and overbreak are the only ones I can think of that have heretofore been repeatedly taken up in interviews with your late General Manager, and about which there has been considerable correspondence between your assistant chief engineer and myself, and these, in my opinion, are the questions now to be submitted; other questions that may hereafter arise can be submitted from time to time.

HUGH D. LUMSDEN,
Chief Engineer.

SESSIONAL PAPER No. 42a

May 14, 1909.

Mr. HUGH D. LUMSDEN,
Chief Engineer,
Transcontinental Railway Commission,
Ottawa, Ont.

DEAR SIR,—As promised, I send herewith, in duplicate, Form of Agreement covering matters to be arbitrated, pertaining to the Eastern Division, which has been executed on the part of the Company. If acceptable to the Honourable the Minister of Railway, kindly return one copy to me after being signed on behalf of the Government.

E. J. CHAMBERLIN,
Vice President and General Manager.

THIS AGREEMENT made the Fourteenth day of May, A.D. 1909.

Between:

HIS MAJESTY THE KING, acting in respect of the Dominion of Canada and herein represented by the Honourable George P. Graham, Minister of Railways and Canals, hereinafter called the 'Government,'

Of the First Part,

and

The GRAND TRUNK PACIFIC RAILWAY COMPANY, hereinafter called the 'Company,'
Of the Second Part.

Whereas in and by the seventh clause of the agreement entered into between the parties hereto, dated 29th July, 1903, being Schedule to 3, Edward VII, Chapter 71, providing for the construction of the Eastern Division subject to the joint supervision, inspection and acceptance of the Chief Engineer appointed by the Government and the Chief Engineer of the Company, it is provided that in the event of differences between the said Engineers as to the specifications for the Eastern Division, or in case the said Engineers should differ as to the work, the questions in dispute shall be determined by the said Engineers and a third arbitrator to be chosen in the manner provided in paragraph 4 of said agreement;

And Whereas differences have arisen between the said Engineers both as to the said specifications and work, and Collingwood Schreiber, Esquire, C.M.G., has been duly chosen third arbitrator in conformity with the provisions of Clause 7 of said agreement;

Therefore this Agreement Witnesseth that the following questions in regard to the specifications and the work in respect of which the said engineers have differed shall be submitted for determination to the said engineers and the said Collingwood Schreiber, Esquire, as third arbitrator, namely:—

(a) The interpretation of the specifications as applied to the actual work, each party under this heading to be at liberty to ask for the construction or interpretation of any particular clause of the specifications not already approved by the engineers and such construction or interpretation when given to be conclusive as to all work already done, and to be thereafter binding in regard to all future work to be done.

(b) Classification of material handled by contractors in the formation of the roadbed, or incident to other work forming part of any of the contracts on the Eastern Division.

(c) Payment to contractors for handling material in cutting in excess of the theoretic section to be excavated, whether caused by slides, excessive use of explosives or otherwise, and commonly termed 'over-break.'

(d) All other matters not included in the foregoing but which may properly form the subject to arbitration under Clause 7 of the said agreement, that may be presented during the arbitration of which matters, provided however at least ten days notice must be given by the party submitting the same for arbitration, to the other.

9-10 EDWARD VII., A. 1910

The award of the said arbitrators, or a majority of them, shall be final and binding upon the parties hereto, each of whom agrees with the other to abide by and observe such findings as may by the said arbitrators be made under and in pursuance of these presents.

It is agreed that neither party will be represented by Counsel before the said arbitrators in respect of any questions coming before them for determination under any of the clauses of this agreement.

And for the sake of ensuring uniformity in the interpretation of the specifications, and in the work of construction of the Eastetrn Division, as well as for the sake of ensuring speedy action and obviating unnecessary delay;

The parties further agree:—

That the said Collingwood Schreiber is to continue to act as third arbitrator in respect of all future differences determinable as provided under Clause 7 of the said agreement, which may from time to time arise between the said engineers without the necessity for a formal re-appointment in each particular case that may arise for arbitration.

In Witness Whereof this agreement has been duly executed by the parties.

Signed, Sealed and Delivered

in the presence of

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HIS MAJESTY THE KING

.....

THE GRAND TRUNK PACIFIC
RAILWAY COMPANY.

E. J. CHAMBERLIN,
Vice Prest. & Gen. Manager.

HENRY PHILLIPS,
Secretary.

Memorandum of Agreement to be Drawn Up Between the Commissioners of the Transcontinental Railway and The Grand Trunk Pacific Railway Company.

Monthly estimates for Contractors shall be submitted promptly from time to time by the Chief Engineer of Commissioners to the company's Assistant Chief Engineer at Montreal for approval. If he has any objection to such estimates he shall promptly file the same with the Chief Engineer of the Commissioners, and any objections from time to time filed shall thereupon be considered, and, if possible, determined by the said Engineers, and in case of their failure to agree, may then or at any time before or at the time of the final payment, at the option of either party, be considered and determined by arbitration as provided in the agreement of the 29th July, 1903, but in no case shall the payment of monthly estimates be delayed except with the consent of the Commissioners.

In case the Chief Engineer of the Commissioners and the Assistant Chief Engineer of the company disagree as to the final payment, the same shall be withheld until the matter is determined by arbitration, as provided in the said agreement of 29th July, 1903.

May 15, 1909.

E. J. CHAMBERLIN, Esq.,
Vice-President and General Manager, G.T.P.,
Montreal, Que.

DEAR SIR,—Yours of yesterday enclosing proposed agreement covering matters of arbitration duly received, and on bringing the matter before the Commissioners to-day, they are of the opinion that any such agreement is unnecessary, and all that

SESSIONAL PAPER No. 42a

is now required is, for the three engineers to proceed under Clause 7 of the agreement and arbitrate matters of classification and overbreak, as specified in my letter to Mr. Kelliher, dated the 1st of February, 1909.

HUGH D. LUMSDEN.

May 17, 1909.

COLLINGWOOD SCHREIBER, Esq.,
General Consulting Engineer to the Government,
Ottawa, Ont.

DEAR SIR,—Herewith please find copy of proposed agreement as submitted by Mr. E. J. Chamberlin in a letter to me dated the 14th instant.

H. D. LUMSDEN.

OTTAWA, March 16, 1909.

COLLINGWOOD SCHREIBER, Esq.,
General Consulting Engineer to the Government,
Ottawa, Ont.

DEAR SIR,—By clause 7 of the agreement between the Government of Canada and the Grand Trunk Pacific Railway Company, dated the 29th July, 1903, being schedule to 3 Edward VII, Chapter 71, in regard to the construction of the eastern division, it is provided, that the work shall be done according to the specifications approved of by the Grand Trunk Pacific Railway Company, and shall be subject to the joint supervision, inspection and acceptance of the chief engineer appointed by the government and the chief engineer of the railway company, and in the event of differences as to the specifications, or in case the said engineers shall differ as to the work, the questions in dispute shall be determined by the said engineers and a third arbitrator to be chosen by them.

Some such differences having arisen as a result of objections filed by the company, we hereby beg to choose you as third arbitrator for the determination of the questions now in dispute, and on which we have failed to agree after visiting the work, and shall be pleased if you are agreeable to accept the office. In the event of your acceptance, a formal submission will be prepared and handed to you later,

HUGH D. LUMSDEN,
Chief Engineer, Transcontinental Railway.

B. B. KELLIHER,
Chief Engineer, Grand Trunk Pacific Railway.

I hereby accept the above appointment.

COLLINGWOOD SCHREIBER.

March 22, 1909.

OTTAWA, June 14, 1909.

COLLINGWOOD SCHREIBER, C.M.G.,
Room No. 148,
Department of Railways and Canals,
Ottawa.

DEAR SIR,—By direction, I have the honour to hand you herewith a copy of the following letters:—

42a—2½

9-10 EDWARD VII., A. 1910

Hugh D. Lumsden to B. B. Kelliher, January 16, 1909.

H. A. Woods to Hugh D. Lumsden, July 28, 1908.

“ “ “ July 8, 1908.

“ “ “ June 23, 1908.

“ “ “ April 23, 1908.

“ “ “ April 21, 1908.

“ “ “ March 24, 1908.

“ “ “ February 20, 1908.

“ “ “ February 14, 1908.

“ “ “ November 4, 1907.

“ “ “ October 8, 1907.

“ “ “ October 7, 1907.

(The above relate to questions in dispute between the Chief Engineer of the Grand Trunk Pacific Railway and the Chief Engineer of the Commissioners with respect to classification.)

H. A. Woods to Hugh D. Lumsden, March 30, 1908.

“ “ “ June 19, 1908.

“ “ “ June 26, 1908.

“ “ “ October 2, 1908.

(The above relate to the question of ‘overbreak’ in cuttings in district ‘F.’)

Copy of memorandum of agreement approved 10th January, 1908, *re* monthly estimates and arbitration.

Draft agreement, dated 14th May, 1909, submitted by the Grand Trunk Pacific Company *re* arbitration.

Letter—Hugh D. Lumsden to Collingwood Schreiber, May 17, 1909.

Letter—E. J. Chamberlin to Hugh D. Lumsden, May 14, 1909.

Letter—Hugh D. Lumsden to E. J. Chamberlin, May 15, 1909.

These documents bear on the questions in dispute between the engineers of the Grand Trunk Pacific Company and the engineers of the commissioners, which have been submitted for settlement under the terms of the National Transcontinental Railway Act to the arbitration board, of which you are the third member agreed upon by the chief engineer of the company and the chief engineer of the commissioners.

It is understood that none of these documents, except draft agreement, dated 14th May, 1909, and letters Hugh D. Lumsden to Collingwood Schreiber, dated May 17, and E. J. Chamberlin to Hugh D. Lumsden, dated May 14, 1909, have been previously submitted to you.

P. E. RYAN,
Secretary.

WINNIPEG, MAN., June 19, 1909.

The Secretary,
Transcontinental Railway Commissioners,
Ottawa.

I understand arbitrators went over Transcontinental examining work and taking evidence. They did not seek information from me or my company. I assume their action cannot affect contractors, and that in any event no report will be made that will affect contractors without giving them an opportunity of being heard.

J. D. McARTHUR.

SESSIONAL PAPER No. 42a

OTTAWA, June 22, 1909

Hon. S. N. PARENT,
Chairman, T. C. Ry. Com'n.,
Ottawa.

DEAR SIR,—I have the honour to submit to your board a report concerning the inspection of the work of construction and attempted reclassification by the Inspectors, Messrs .Schreiber, Kelliher, and our Chief Engineer, Mr. Lumsden, from Lake Superior Junction to ten miles west of Rennie, a distance of about 195 miles, such inspection having taken place from Friday evening May 21, to Saturday evening June 5th of this year.

I do not know of what nature the reports of said inspectors may be; but as district engineer in charge, I must protest against the manner in which such inspection was made as being altogether inadequate and too superficial to form a correct idea of what was the material like at the time the work was done.

I accompanied the inspectors the whole day, but having been advised that there was to be no argument, I kept at a respectful distance. In two instances when Mr. Mann, of the G.T.P. was passing some comments on the work, I attempted to explain and give reasons and arguments; but I was made to feel it would not be tolerated. At the same time Mr. Mann was allowed to pass comments all along the work, while I was never asked for an explanation until we had reached Winnipeg. On Friday evening, May 21st, we passed over a portion of the 11 miles built by the G.T.P. from the new Lake Superior Junction to Sioux Lookout crossing, about 6 miles, passing through the cuts slowly in the car while I read the quantities returned in the estimate for each cut such as returned to me by the G.T.P. On Saturday we reached the east end of the McArthur Co.'s contract about ten o'clock a.m., having stopped three or four times along the five miles, and reached the end of the tenth mile of the McArthur contract.

On Saturday the 23rd we went back to examine the first cut and then went as far as the end of the steel at mile 13. On Monday we walked to mile 25th., on Tuesday, May 25th, we reached mile 39 and drove in to mile 43, Good Lake, to divisional headquarters. Divisional Engineer Richan and Messrs. McHugh and Philips accompanied us and read quantities and showed cross section whenever they were wanted. The only question asked me by Mr. Schreiber about the work was, how I would return a certain portion of one cut. On my answering 'assembled rock' he answered, 'you are wrong, the chief engineer meant there should be at least 80% of large masses of rock.' I said nothing but wondered how he knew so well the meaning of that which the chief engineer had apparently in his mind but did not say in the interpretation given to us. On the 26th we drove back to mile 39 and walked and drove to mile 52. Next day to mile 62 and so on until we reached Winnipeg River, mile 135, which had been covered partly on foot and partly driving, averaging a distance of 12 to 13 miles per day.

The arbitrators asked for the quantities from the resident or divisional engineers, they walked through the rock cuts, sometimes had small diggings made in the slopes of mixed material cuts, walked outside of some of the rock cuts, then Mr. Kelliher and Mr. Lumsden would take their notes. Mr. Schreiber did not take notes but at different times suggested notes to be taken of certain amounts of overbreak or waste in cutting without knowing or even asking the reason of its having been done. The balance of the forty-five miles was gone over in two and a half days.

I humbly maintain that, though there might be a few points which may need to be looked into and possibly readjusted on some residencies and of which I have taken notes, that from a superficial examination such as has been done by the three arbitrators at the end of May and beginning of June, when the best and driest of weather had prevailed for nearly six weeks, that when after the greater portion of the cutting and country adjoining had been drained for a period of one year or more, that not-

9-10 EDWARD VII., A. 1910

withstanding the ability and experience of these gentlemen the difference of conditions and state of materials as it appeared in the slope of the cuttings and what it was when taken out make it impossible for them to form a just and correct idea and that it is unfair and unjust to attempt to reclassify work and pass a final judgment on such a superficial examination for data. Moreover, the whole matter seems to rest on a different interpretation made by our engineers and those of the G.T.P. on the Transcontinental (but not on the G.T.P. work) not only of the specification but also as to the real meaning of the letter and diagram given to us by the chief engineer in his instructions of January, 1908.

I assumed charge of District 'F' in October, 1907. The data of the completion of the contract was passed. I was instructed by your board, through the chief engineer and the assistant chief engineer, to rush the work to completion. I gave instructions to that effect and also to classify the work according to the state and conditions the material was in at the time it was taken out, and I consider I acted not only within the spirit but also strictly within the letter of the specification and the special interpretation given out to us by the chief engineer on January 19, 1908.

S. R. POULIN,
District Engineer.

QUEBEC, June 23, 1909.

Hon. S. N. PARENT,
Chairman,
Ottawa.

DEAR SIR,—I have to report that the arbitration board appointed to inquire into the complaints made by the engineers of the Grand Trunk Pacific Railway, re alleged overclassification by our engineers at certain specified points in District 'B', made a hasty inspection of our line from mile 150 to mile 50 west of the Quebec bridge. The specified points were as follows:—

From the Batiscan river (mile 65) westerly to mile 85, and from mile 115 westerly to mile 132. In the former mileage no complaints in detail were advanced, but it was stated that on account of the Grand Trunk Pacific Railway engineers not being supplied with total quantities of graduation, they could not judge with reference to any particular cutting, although percentages for the entire distance seemed excessively heavy in both loose and solid rock. Between miles 115 and 132, however, illustrations of the classification were given in the following cuttings:—

Stations	5818 to 5826.
"	5842 to 5860.
"	5866 to 5875.
"	5882 to 5901.
"	6030 to 6046.
"	6071 to 6078.
"	6391 to 6394.
"	6493 to 6504.
"	6506 to 6512.
"	6522 to 6548.

The complaints were made by the Assistant Chief Engineer of The Grand Trunk Pacific Railway in October, 1907, prior to the interpretation of the classification made by our Chief Engineer, Mr. Lumsden, in January, 1908, and which interpretation was accepted by Mr. Woods, the Assistant Chief Engineer of the Grand Trunk Pacific Railway, acting on its behalf.

On Friday, June 11, I received a telegram from our Chief Engineer advising me that the arbitrators under agreement with the Grand Trunk Pacific would be in Quebec Tuesday morning, proposing to begin their work at the 150th mile west of Quebec, the westerly end of Hogan & Macdonell's contract, and work easterly.

SESSIONAL PAPER No. 42a

On June 14 our Chief Engineer wired me that the present inspection would be confined to objections made on or before July 8, 1908, and later that the arbitrators would only leave Quebec Wednesday morning.

On our way to La Tuque I told the Chief Engineer that we would stop at the 132nd mile, or station 6660, as this was the furthest point to which objections had been made prior to July, 1908. The Chief Engineer of the Grand Trunk Pacific Railway speaking, I take it, on behalf of the arbitrators, as neither of the other two made any objections, answered that they were going up to the 150th mile, or 18 miles further west than authorized by their commission. Under the circumstances, I could only give orders to proceed with the train as far as the present end of steel at mile 140½. No questions were asked me as to the work, how the classification had been arrived at, or what was the interpretation put by our engineers on the classification. On Thursday a start was made at five o'clock in the morning, reaching the 150th mile at nine o'clock. The first cut inspected consisted of classified material in which one thousand yards of solid rock in masses had been returned by our engineers. Mr. Schreiber turned to me and asked me to point out where the thousand yards of solid rock were. I answered him that the cutting was classified material, and that the boulders of which it was composed were in the embankments. I was asked to point out where 1,000 yards of boulders averaging one cubic yard each could possibly be; to which I said that as the material was classified, it did not matter whether the boulders were a yard each so long as the mass consisted of boulders large and small cemented together, M. Kelliher, the chief engineer of the Grand Trunk Pacific, then spoke up and said that if I read the specifications I would see that boulders to be estimated as solid rock must measure one yard each. I at once saw that the arbitrators had made up their minds to throw out everything which our chief engineer had returned as solid rock except ledge rock and boulders each of which measured one cubic yard, and that in the subsequent inspection of the work there would be no use in my taking part. I, therefore, contented myself in keeping ahead of the arbitrators and ordering the division and resident engineers to give them all the information they had regarding total quantities returned in each cutting. The method of classifying adopted by the arbitrators consisted in walking through the cuts or riding on a hand car through them. At each end of the cuts Mr. Schreiber and Mr. Kelliher would confer together, our own chief engineer generally being left to himself. Mr. Schreiber did not take any notes himself, but was satisfied to leave this part of the work to Mr. Kelliher. After reaching the cars at night, Mr. Kelliher would give the notes to the stenographer, who was supposed to typewrite them and hand the copies over to the Chief Arbitrator, Mr. Schreiber. The day's work consisted in walking or riding on a hand car over from 13 to 29 miles of railway and guessing at the classification by a most cursory inspection of the cuts and borrows. A great deal of the work had been completed for two years, and our engineers wondered how any man could arrive at a fair classification in five minutes time when it had taken them two years or more to arrive at a fair conclusion of the classification of the material. As the arbitration had taken so long to materialize, a great many of our engineers had either left the work or had been moved to other residencies, so that the arbitrators did not have the benefit, over fully half of the work inspected, of the experience gained by the engineers who had really classified the work. Whilst I do not pretend to say that I am personally aware that every cut, as returned, is exactly correct, since the work to be classified properly must be inspected at very frequent intervals during construction, still I am positive that a cursory inspection, such as has actually taken place, is absolutely worthless.

I attach hereto a statement showing the number of yards of solid rock, loose rock and common excavation classified in a six days' trip, and I am forced to the conclusion that if the inspection did not ensure conclusive correctness, it certainly must hold the record on the score of expedition.

9-10 EDWARD VII., A. 1910

The arbitrators pointed out to me some defective work in masonry which I promised to have remedied. They admitted to me that the rock cuttings were generally well taken out and that the concrete work was very good. Some waste in rock cuts near the Milieu river will also receive my attention.

A. E. DOUCET,
District Engineer.

MONTREAL, Quebec, June 23, 1909.

Mr. Hugh D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I beg to acknowledge receipt of your favour of the 19th instant, together with copies of settlement sheets of contractors' progress estimate returns for the month of May, as follows:—

- District 'A.'—Grand Trunk Pacific.
J. W. McManus. & Co.
Lyons & White.
Willard Kitchen & Co.
- District 'B.'—Grand Trunk Pacific.
M. P. & J. T. Davis (east).
M. P. & J. T. Davis (west).
Macdonell & O'Brien.
E. F. & G. E. Fauquier.

- District 'D.'—Grand Trunk Pacific.
District 'F.'—J. D. McArthur.

Upon comparing these estimates with those received since January last, I find that the percentage of classified material in Districts 'B' and 'F' remain practically in the same proportions as in former estimates received since January last. As I cannot believe that this classification, as rendered, as in accordance with the specifications, or with your letter of instructions to your district engineers of January 30. I must again object to the classification. Our recent visit to certain portions of the line on district 'F' confirms my views relative to classification on both these districts.

H. A. WOODS,
Assistant Chief Engineer.

STATEMENT of Solid Rock, Loose Rock and Common Excavation compiled to the end of May, 1909, and adjudicated upon by the Arbitrators from June 17 to 22, 1909.

LOCATION.		SOLID ROCK.		LOOSE ROCK.		COMMON EXCAVATION.	
From	To	Quantity.	Per Cent.	Quantity.	Per Cent.	Quantity.	Per Cent.
		Yds.		Yds.		Yds.	
50	65	62,333	16	138,929	36	182,086	48
65	92	455,232	45	310,029	30	257,181 ³	25
92	111	667,340	72	163,334	18	88,961	10
111	122½	825,666	72	131,083	11	196,130 ⁷	17
122½	140½	552,950	32	465,056	27	694,815	41
140½	150	393,931	65	125,588	21	84,687	14
Total for contract		2,957,452	51	1,334,019	23	1,503,861	26

SESSIONAL PAPER No. 42a

QUEBEC, June 23, 1909.

NOTES OF ARBITRATION TRIP DISTRICT 'B.'

June 16 to 22, 1909.

We were notified that arbitrators under agreement with the Grand Trunk Pacific would arrive at Quebec Tuesday morning, June 15, and requested to arrange for a special train to leave Quebec at 9.30 Tuesday morning to proceed to La Tuque and inspect cuttings under dispute as to classification.

These disputed cuttings did not extend further north than the 132nd mile. Late Monday night received telegram to postpone trip until Wednesday morning, June 16. Messrs. Schreiber and Lumsden arrived Tuesday morning and about 10 o'clock Mr. Lumsden came to district office and stated that the other arbitrator, Mr. Kelliher, would leave Montreal at noon that day and to arrange for a special train to be ready to leave at 10 p.m. or at such an hour as to ensure us being at the 132nd mile at day-light Wednesday morning the 16th, as he stated that it was agreed between himself and Mr. Schreiber that the inspection would not go further north and would only refer to disputed work. The train arrangements were accordingly made, engineers and contractors notified, when at 5 p.m. a telephone from Mr. Lumsden changed this and asked for the special to leave Quebec Wednesday 16 at 9.30 a.m.

We left Quebec Wednesday morning and arrived at La Tuque about 3 p.m., and at end of steel (140½ mile) at 7.30 p.m.

Wednesday night Mr. Lumsden came in to our car and said the arbitrators wanted to go to the 150th mile, although it was beyond the disputed work, but that he would not take notes except for the disputed work, and that also, as Mr. Schreiber wanted an early start, we would start at 5 a.m., the next morning. Without any further information or notice, the arbitrators passed our car at 4.40 a.m. while we were at breakfast and walked north.

We, Messrs. Doucet, Doheny, Fotheringham and self left at 5 a.m. sharp, but did not see any sign of the three in advance until we got to Craig & Thompson's camp, mile 150. In the meantime we had picked up Resident Engineer Paris and met Division Engineer Darey.

While at Craig's camp a shout came from the line about one-quarter mile distant, and shortly after Mr. Kelliher descended and preemptorily demanded our notes, &c. We all walked up to the line, and I explained to Mr. Lumsden that I had brought no notes covering that piece of the line as he had informed me that it was not to be officially arbitrated on, and I naturally thought that this trip more of curiosity or a desire to see how far advanced the construction was. However, Mr. Paris (the resident engineer) had his notes, and corroborated by Mr. Fotheringham (district engineer, Grand Trunk Pacific) called them out for a certain distance, giving the limit of each cutting and the number of cubic yards of solid rock, loose rock and common excavation returned to date.

Messrs. Lumsden and Kelliher took these notes down in a little book, and as Mr. Schrieber was not doing so, I asked him, 'Mr. Schreiber are you not taking any notes over this section?' and he replied 'No, which confirmed my belief that it was not to be arbitrated upon.

On the question of solid rock being described as assembled rock, Mr. Kelliher broadly stated that there was no 'assembled rock in this country, nothing but sand and boulders,' this opinion either being formed before he visited the work or during the ten mile walk at the rate of 2½ to 3 miles per hour and looking at finished slopes.

As this statement simply revived the much discussed interpretation of the specifications, and as his interpretation was different from ours, it was useless to talk further, so we kept a little in advance and left the resident engineer to simply give quantities, the station number of each cutting and say whether it was ledge rock, or what he (the resident engineer) called assembled rock.

9-10 EDWARD VII., A. 1910

Generally speaking, the procedure was the same over the whole of the district, the obtaining of quantities and station numbers from each resident engineer, a walk through the cutting and the putting down of notes.

Mr. Kelliher and Mr. Schreiber always kept together and Mr. Kelliher put the notes down in his book. Mr. Lumsden took independent notes; Mr. Schreiber took none at all (*i.e.*, he did not write any down).

Between the 132nd and the 150th mile in only two cases to my knowledge was any attempt at inspection made, one where Mr. Kelliher in questioning Resident Engineer Cressman as to cemented material, walked up to the finished slope and rooted out with his foot some boulders and remarked, 'Do you call that cemented?' when Cressman replied that it was not now, but it was different after two years' exposure.

Another case was on side of hill where a pick and shovel were used and men dug about a foot into the slope.

At about the 132nd mile cut station 6576-92, Resident Engineer Girdwood was questioned as to how he got his 1,174 cubic yards of solid rock, and he replied in boulder measurements, and led the arbitrators to believe that each individual boulder measured 1 c.y. which I knew he did not mean, and which afterwards Mr. Bourgeois informed me was not the case, as the cut in question was a mass of boulders cemented together and Girdwood had taken measurements of all boulders for a certain time to arrive at a means of estimating the percentage of solid rock in the cutting, based on our interpretation of 'assembled rock,' as the material was cemented together.

Mr. Kelliher and Mr. Schreiber stated that each boulder must measure 1 c.y. and when I stated that even in the case of individual boulders not necessarily cemented together, Mr. Woods had told me that it was not absolutely customary that they should measure 1 c. y. or 27 c. ft. exactly, but that where a boulder separate or detached was of such a size as not to be handled by two or three men, it could be called a yard. Mr. Kelliher said Mr. Woods had nothing to do with it; he did not make up specifications, and this was not in the specifications.

The following is a dairy of each days' work:—

June 17.—Inspected 150-140½ mile; walked 20 miles, 5 a.m. to 6 p.m.

June 18.—Inspected 140½-122½ mile; hand car and train, 18 miles, 7 a.m. to 3.30 p.m.

June 19.—Inspected 122½-111 mile; walked 11½ miles, 9 a.m. to 6 p.m.

June 20.—Inspected 111-92 mile; hand car 12 miles; walked 7 miles, 7.30 a.m. to 6 p.m.

June 21.—Inspected 92-65 miles; hand car 27 miles, 7.30 a.m. to 5 p.m.

June 22.—Inspected 65-50 mile; hand car 15 miles and return 11 miles, 6 a.m. to 12 noon.

The above will show how thorough the inspection was. Some classified cuts their hand car did not even stop at, notes being made 'en route.'

We had photographs of the different cuts in progress of construction, but were not questioned or asked to produce anything, and the only engineer questioned on oath was Mr. Bourgeois who, unfortunately, was sick and in the doctor's hands and unable to accompany the arbitrators over the line.

H. E. HUESTES,
Asst. District Engineer.

MONTREAL, June 24, 1909.

To the Chairman of the Commissioners of the Transcontinental Railway,
Ottawa, Ontario,

DEAR SIR,—We are informed by our representative that on Wednesday of last week, the 16th instant, Mr. Lumsden, your chief engineer, accompanied by Mr. Collingwood Schreiber and Mr. Kelliher, paid a hurried visit to the section of the Transcontinental Railway which under contract we are constructing for you.

SESSIONAL PAPER No. 42a

We do not know what these gentlemen had in view in making the hurried visit which they did, and it is possible that it was merely a visit of personal interest to them individually.

We were notified by you or by the gentlemen above referred to that the visit would take place. We assume that owing to the hurried nature of the visit it was not a tour of inspection in any sense of the term, as the inspection of such an area of construction could not possibly have been thoroughly made during the time at the disposal of these gentlemen, who were on the ground less than a week.

If by any chance this visit was supposed to be more or less of an official character—which we can hardly credit—we must protest against any report being made by these gentlemen which may affect us without our being given an opportunity of being heard before them and of being given communication of their report before it is published, with sufficient time to make an inspection of it and enter objections, if we deem that necessary.

We will thank you to acknowledge receipt of this communication, and to inform us not later than Saturday of this week what was the object of the visit of these three gentlemen.

MACDONELL & O'BRIEN.

WINNIPEG, MAN., June 19, 1909.

P. E. RYAN, Esq.,
Secretary, Transcontinental Railway Commission,
Ottawa, Ont.

DEAR SIR,—I have this day sent you a wire in the following words:—

‘I understand arbitrators went over Transcontinental examining work and taking evidence. They did not seek information from me or any company. I assume their action cannot affect contractors and that in any event no report will be made that will affect contractors without giving them an opportunity of being heard.’

I sent you this wire because it has been suggested to me that Mr. Schreieber, along with Mr. Kelliher and Mr. Lumsden, went over the portion of the Transcontinental line embraced in my contract, with a view of revising some of the work. It has been suggested to me that they were doing this in the capacity of arbitrators, though I know of no particulars connected with their action. At all events, I understand that they were taking evidence of some of the engineers on the subject.

I am assuming, as stated in my wire, that it is not intended that any action of these gentlemen will in any way affect contractors who have contracts from the commissioners, and certainly I would expect—if it was intended to make any inquiry that might in itself result in affecting contractors—that the latter would have an opportunity of being heard before any report is sent in by these gentlemen. I can scarcely understand that any action would be attempted affecting contractors without that opportunity being given, and I therefore hesitated somewhat to send you the telegram referred to or to write you this letter. But in view of what has been suggested to me, although I must admit upon no very certain authority, I thought it well to send that wire and this letter in order that the commissioners may know that I would most seriously protest any action that might affect myself or my sub-contractors, without first being fully advised of all complaints as well as an opportunity to be heard.

J. D. MCARTHUR.

9-10 EDWARD VII., A. 1910

OTTAWA, June 25, 1909.

Hon. GEORGE P. GRAHAM,
Minister of Railways and Canals,
Ottawa, Ont.

SIR,—Herewith I beg to inclose copy of a letter written by me to-day to the Commissioners of the Transcontinental and for the reasons therein mentioned, I beg to resign my position as Chief Engineer of the Transcontinental Railway, and trust that I may be relieved of the duties connected therewith at as early a date as may be convenient.

HUGH D. LUMSDEN.
Chief Engineer.

OTTAWA, June 25, 1909.

To the Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—My recent trips over portions of Districts 'B' and 'F' in connection with the arbitration on points in dispute regarding the classification and overbreak between the Chief Engineer of the Grand Trunk Pacific Railway Company and myself (which arbitration might have been proceeded with more than eight months ago but for delay on the part of the Grand Trunk Pacific), have led me to the conclusion that neither the general specifications nor my instructions regarding classification have been adhered to, but on the contrary large amounts of material have been returned as solid rock, which should only have been classified as loose rock or common excavation, and material has been returned as loose rock which was, or could have been handled by ploughing or scraping, and should have been returned as common excavation. On several residencies there seems to have been no attempt by the engineers to carry out my instructions and measure rock returned, either by showing the same on cross sections, or by measurements of individual pieces, but they simply appear to have guessed at the amount by taking percentages of the total cutting. In some cases where cross sections were prepared showing ledge rock, they prove to be erroneous, resulting in a very much larger amount of the solid rock being returned than actually existed. What is known as overbreak has also been returned in many places where it was caused by excessive use of explosives, and where the material was wasted this should not have been done. Such being the case, I must decline to certify to any further progress estimates in Districts 'B' and 'F,' and in view of the general disregard of my instructions, and having lost confidence in the engineering staff, I have concluded to resign my position as chief engineer, and have to-day written to the Hon. the Minister of Railways and Canals to that effect, enclosing him a copy of this letter.

HUGH D. LUMSDEN.

OTTAWA, June 25, 1909.

DEAR SIR,—By direction of the board, I have the honour to hand you herewith:—

Copy of letter from Mr. A. E. Doucet, district engineer, dated 23rd instant;

Copy of notes of Assistant District Engineer Huestis, dated 23rd instant;

Copy of letter from Messrs. Macdonell & O'Brien, dated 24th instant;

Copy of letter from Mr. J. D. McArthur, dated 29th instant;

Copy of letter from Mr. S. R. Poulin, district engineer, St. Boniface, Man., dated 22nd instant;

Also a certified copy of a resolution of the commissioners dated 25th instant.

SESSIONAL PAPER No. 42a

I am to say that the commissioners object to and protest against the proceedings of the arbitrators as being improper and illegal, for the following reasons, viz:—

(a) that they were based in whole or in part on the said draft agreement of May 14, 1909, which had been rejected, and which had no existence in fact;

(b) that the examination of the work was of a hasty, insufficient and superficial character;

(c) that the engineers on the line who classified the work were not afforded a sufficient hearing and an opportunity of presenting evidence;

(d) that the contractors were not afforded an opportunity of showing cause.

And further, that they insist, in the public interest, that the proceedings of the arbitration tribunal shall be exhaustive, final and conclusive; shall cover all the objections filed on behalf of the Grand Trunk Pacific Railway Company, and that the report of the arbitrators, when made, shall be supported by substantial evidence, including details of quantities, &c., which will safeguard the position of the commissioners in any litigation which may arise with the contractors as a result of any action which may follow the report of the board of arbitration.

P. E. RYAN,
Secretary.

The above letter was sent to:

HUGH D. LUMSDEN, Esq., Chief Engineer, the Commissioners of the Transcontinental Railway, Arbitrator in *re* Transcontinental Railway Classification, Ottawa.

B. B. KELLIHER, Esq., Chief Engineer, Grand Trunk Pacific Railway Company, Arbitrator in *re* Transcontinental Railway Classification, Montreal, Que.

COLLINGWOOD SCHREIBER, C.M.G., C.E., Third Arbitrator in *re* Transcontinental Railway Classification, Department of Railways and Canals, Ottawa, Ont.

OTTAWA, June 25th, 1909.

A special meeting of the Commission was held at eleven o'clock, a.m., this day, the chairman, Commissioners Reid and Young and the secretary being present.

A letter from District Engineer Doucet dated 23rd instant and a memorandum of Assistant District Engineer Huestis, dated 23rd instant, reporting in regard to the arbitration proceedings of the arbitration tribunal composed of Mr. Collingwood Schreiber, C.E., Mr. B. B. Kelliher, chief engineer of the Grand Trunk Pacific Railway Company, and Mr. Hugh D. Lumsden, chief engineer of the commissioners, in district 'B' were read.

Inasmuch as it would appear from the reports of District Engineer Doucet and Assistant District Engineer Huestis that the inspection of the arbitrators, although extended to cuttings on the work with respect to which objections had not been filed by the inspecting engineers of the Grand Trunk Pacific Railway Company, was in fact (and having regard to the mileage covered, the enormous quantities of classified material to be passed upon, and the brevity of the time (six days) occupied in the said inspection must necessarily have been), of an exceedingly superficial character; that the interpretation of the clauses of the specifications relating to classification made by the chief engineer of the commissioners in January, 1908, and concurred in under date of February 20th, 1908, by the assistant chief engineer of the Grand Trunk Pacific Railway Company, superintending the work of the eastern division on behalf of the Grand Trunk Pacific Railway Company, was in part, if not wholly, ignored by the arbitrators; and further, that the views of the assistant chief engineer of the Grand Trunk Pacific Railway Company with respect to the work were expressly repudiated by Mr. B. B. Kelliher, one of the arbitrators, and inferentially by all the members of the arbitration tribunal, notwithstanding that he is the official designated in

9-10 EDWARD VII., A. 1910

the memo. of agreement approved by Mr. Charles M. Hays, president of the Grand Trunk Pacific Railway Company, and by the commissioners on January 10th, 1908, to file promptly with the chief engineer of the commissioners objections, if any, on behalf of the company, to the contractors' monthly estimates, and further notwithstanding that he is the official of the G. T. P. Company who filed on behalf of the company the objections constituting 'the questions in dispute,' which the board of arbitrators were appointed to determine; and

Whereas, from the verbal report made to the chairman of the Commission by Mr. Collingwood Schreiber, C.E., the third arbitrator agreed upon by the chief engineer of the commissioners and the chief engineer of the Grand Trunk Pacific Railway Company, after his return from the arbitration proceedings of the tribunal in district 'F,' the letters of the G. T. P. Co.'s assistant chief engineer, which contain the matters in dispute to be settled by the arbitration tribunal had not been furnished to him (Mr. Schreiber), the third arbitrator, and were not considered at all by the arbitrators on the work; but that proceedings were conducted on the basis of a draft agreement submitted by the Grand Trunk Pacific Railway Company, signed by the general manager and the secretary of the company and dated May 14th, 1909, which had been forwarded to Mr. Schreiber by the chief engineer of the commissioners under date of May 17th, 1909, although he (the chief engineer of the commissioners) had been advised by the commissioners on the 15th of May that such agreement was rejected, which advice he had confirmed by the Deputy Minister of Justice, and which he had communicated to the general manager of the G.T.P. Co. under date of May 15th, 1909; and

Whereas, it is inconceivable that proceedings of such great importance, and possibly involving a very large sum of money, and which may result in much expensive and troublesome litigation between the contractors and the commissioners, should have been conducted in such a hasty and superficial manner, without a sufficient hearing being granted to the engineers on the work: for in his diagram illustrating his interpretation of the specifications dated January 10th, 1908, the chief engineer stated: 'To form a judgment as to whether or not it is best removed by blasting, the chief engineer must view the work in progress or leave it to be decided by the engineer in charge, whose duty it is to frequently visit the work during its operation, and to be governed thereby and act accordingly'; and under date of August 27th, 1908, in a letter to the commissioners: 'In regard to the classification of the work, I am now, and always have been, of the opinion that the resident engineer on the work is the proper person to make the classification in the first instance, as he sees the work from day to day, and makes the necessary measurements. This classification should be confirmed or amended by the division engineer, who should go over the ground with the resident engineer several times during the month, and this should be further confirmed or amended by the district engineer, or his assistant, who should go over the said work with the division and resident engineers as frequently as possible and see that the classification is as uniform as practicable throughout the district'; and

Whereas, the subject matter of the arbitration, as defined by the letter of the chief engineer of the commissioners and of the chief engineer of the Grand Trunk Pacific Railway Company, dated March 16th, 1909, to Mr. Collingwood Schreiber, C.E., choosing the latter as the third arbitrator, was 'the determination of the questions now in dispute and on which we have failed to agree after visiting the work.'

Resolved, that the secretary be, and is hereby, directed to write to the three arbitrators, transmitting a copy of the letters of District Engineer Doucet and notes of Assistant District Engineer Huestis, each dated 23rd June instant; a copy of the letter of Messrs. Macdonell & O'Brien, dated 24th instant; a copy of the letter of Mr. J. D. McArthur, dated 19th instant, and a copy of report of District Engineer Poulin, dated 22nd instant, all relating to the proceedings of the arbitration tribunal; and to

SESSIONAL PAPER No. 42a

say that the commissioners object to and protest against the proceedings of the arbitrators as being improper and illegal, for the following reasons, viz.:—

- (a) that they were based in whole or in part on the said draft agreement of May 14th, 1909, which had been rejected, and which had no existence in fact;
- (b) that the examination of the work was of a hasty, insufficient and superficial character;
- (c) that the engineers on the line who classified the work were not afforded a sufficient hearing and an opportunity of presenting evidence;
- (d) that the contractors were not afforded an opportunity of showing cause; and further to say that the commissioners insist, in the public interest, that the proceedings of the arbitration tribunal shall be exhaustive, final and conclusive; shall cover all the objections filed on behalf of the Grand Trunk Pacific Railway Company, and that the report of the arbitrators, when made, shall be supported by substantial evidence, including details of quantities &c., which will safeguard the position of the commissioners in any litigation which may arise with the contractors as a result of any action which may follow the report of the board of arbitration; that a copy of this resolution be forwarded with the letter of the secretary to the three arbitrators; and that a report be made to the government and to the Grand Trunk Pacific Railway Company accordingly with a copy of all the documents relating to the subject-matter hereof.

Approved.

S. N. PARENT,
Chairman.

P. E. RYAN,
Secretary.

OTTAWA, June 26, 1909.

Hon. GEO. P. GRAHAM, P.C.,
Minister of Railways and Canals,
Ottawa.

SIR,—By direction of the board, I have the honour to hand you herewith a copy of correspondence and other documents relating to the matters in dispute between the engineers of the Grand Trunk Pacific Company and the engineers of the commission submitted for determination to the board of arbitrators provided for under the National Transcontinental Railway Act, and composed of Mr. Collingwood Schreiber, C.M.G., Mr. B. B. Kelliher, Chief Engineer of the Grand Trunk Pacific Company, and Mr. Hugh D. Lumsden, Chief Engineer of the Commissioners of the Transcontinental Railway, including a copy of a resolution passed by our board at a special meeting held at 11 o'clock a.m., on the 25th of June instant, copy of letters from the undersigned, by direction of the board, dated June 25, to the arbitrators, and a copy of two letters dated the 25th and 26th instant respectively from the chief engineer of the commissioners relating to his resignation.

I am to say that the copy of the resolution passed by the commissioners at a special meeting held on the 25th instant aforesaid, and the letter of the undersigned dated the 25th instant to the chief engineer submitting a copy of the said resolution, were delivered to the chief engineer this a.m., before the board meeting, and the letters of the chief engineer dated June 25th and 26th relating to his resignation were presented at the board meeting held in the board room of the commissioners to-day at 12.30 p.m.

P. E. RYAN,
Secretary.

9-10 EDWARD VII., A. 1910

OTTAWA, June 26, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—Referring to my letter of yesterday wherein I stated that I have lost confidence in the engineering staff, I beg to state that this does not apply to the whole staff, but applies only to a portion of the staff who were responsible for the measurement, classification, supervision and inspection of considerable portions in district 'B' and east of Rennie Crossing in district 'F' lately gone over by me.

HUGH D. LUMSDEN.

P.S.—In order to make the matter clear, I may say I assume my resignation as chief engineer also carries with it my resignation as arbitrator in matters of dispute with the Grand Trunk Pacific Railway Company, but as there is a doubt raised by you, I also resign as arbitrator.

HUGH D. LUMSDEN.

OTTAWA, June 26, 1909.

DEAR SIR,—Referring to my letter of yesterday's date submitting copy of resolution passed by the commissioners at a special meeting held at 11 o'clock a.m., on the 25th instant; I have to say that in the fourth paragraph on the first page of the minutes of the said meeting after the words 'in district "F"' at the commencement of the sixth line the words 'the letters of the Grand Trunk Pacific Company's assistant chief engineer' should be inserted; the word 'and' which follows should be struck out, and the word 'contains' made to read 'contain,' so that the line referred to will read as follows: 'in district "F," the letters of the Grand Trunk Pacific Company's assistant chief engineer which contain the matters in dispute to be,' &c. Please correct in your copy.

P. E. RYAN,
Secretary.

The above letter was sent to—

HUGH D. LUMSDEN, Esq., Chief Engineer the Commissioners of the Transcontinental Railway, Arbitrator in *re* Transcontinental Railway Classification, Ottawa.

B. B. KELLIHER, Esq., Chief Engineer Grand Trunk Pacific Railway Company, Arbitrator in *re* Transcontinental Railway Classification, Montreal, P.Q.

COLLINGWOOD SCHREIBER, C.M.G., C.E., Third Arbitrator in *re* Transcontinental Railway Classification, Department of Railways and Canals, Ottawa, Ont.

OFFICE of the General Consulting Engineer to the Government, Engineer of the Western Division of the National Transcontinental Railway, Room No. 150 West Departmental Building.

OTTAWA, June 26, 1909.

Hon. GEORGE P. GRAHAM,
Minister of Railways and Canals,
Ottawa, Ont.

SIR,—Referring to my letter of yesterday to you inclosing copy of a letter I sent to the Commissioners, I now beg to inclose copy of another letter sent them by me to-day.

HUGH D. LUMSDEN.
Chief Engineer.

SESSIONAL PAPER No. 42a

OTTAWA, CANADA, June 28, 1909.

P. E. RYAN, Esq.,
Secretary, Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—I have to acknowledge the receipt of your communication of the 25th instant, with inclosures.

As requested in yours of the 25th instant, I take pleasure in correcting the fourth paragraph on the first page of the minutes of the special meeting of the commissioners held at 11 o'clock a.m., on the 25th instant, by inserting after the words 'in district "F"' at the commencement of the sixth line the words 'the letters of the Grand Trunk Pacific Company's assistant chief engineer' should be inserted; the word 'and' which follows should be struck out, and the word 'contains' made to read 'contain,' so that the line referred to will read as follows: 'in district "F,"' the letters of the Grand Trunk Pacific Company's assistant chief engineer which contain the matters in dispute to be,' &c. .

COLLINGWOOD SCHREIBER.

OTTAWA, June 30, 1909.

HUGH D. LUMSDEN, Esq.,
Chief Engineer, T. C. Ry. Commission,
Ottawa.

DEAR SIR,—I have the honour to acknowledge the receipt of your letter of the 25th instant inclosing correspondence sent by you to the Transcontinental Railway Commissioners and also proffering your resignation as Chief Engineer. It will be considered in due course.

GEO. P. GRAHAM.

OTTAWA, June 30, 1909.

HUGH D. LUMSDEN, Esq.,
Chief Engineer, T. C. Ry. Commission,
Ottawa.

DEAR SIR,—I beg to acknowledge yours of the 26th instant, inclosing a letter of explanation sent by you to the Commissioners in reference to the reasons given for your resignation.

GEO. P. GRAHAM.

OTTAWA, July 8, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa.

SIRS,—In compliance with your request, I beg to submit a statement of the security held by you for the completion of various contracts in Districts 'B' and 'F' as at June 1, 1909.

Contract No. 7 53.6 miles.

M. P. & J. T. Davis' deposit.. . . .	\$100,000 00 cash.
10% of progress estimate.. . . .	82,001 57

Total.. . . .	\$182,001 57
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Value of plant not known.

Contract No. 8 (East). 149.12 miles.		
M. P. & J. T. Davis' deposit..	\$225,000 00	cash.
Balance of 10% hold-back..	135,850 18	
	<hr/>	
Total..	\$360,850 18	
Value of plant not known.		
Contract No. 9 (West). 49.8 miles.		
M. P. & J. T. Davis' deposit..	\$284,794 00	Dep. Rect.
Balance of 10% hold-back..	37,500 31	
	<hr/>	
Total..	\$322,294 31	
Value of plant not known.		
Contract No. 10. Macdonell & O'Brien. 100.1 miles.		
10% retained..	\$293,534 89	
Their valuation of plant..	500,000 00	
	<hr/>	
Total..	\$793,534 89	
A large amount of plant on work: Engines, cars, steam shovels, &c.— their estimate of value of plant on September 28, 1908, being \$500,000.		
Contract No. 11. Grand Trunk Pacific Railway Co. 46.4 miles.		
Security..	\$ 75,000 00	
10% hold-back..	136,899 15	
	<hr/>	
Total..	\$211,899 15	
Value of plant not known.		
District 'F.'		
Contract No. 19. (Includes 20.19 miles in 'E.') O'Brien, Fowler & Mc- Dougall Bros. 126.19 miles.		
Security..	\$200,000 00	cash.
10% hold-back..	48,439 79	
	<hr/>	
Total..	\$248,439 79	
Value of plant not known.		
Contract No. 20. O'Brien, Fowler & McDougall Bros. G.T.P. and 23.76 miles.		
Security..	\$25,000 00	cash.
10% hold-back..	18,324 58	
10% " G.T.P..	53,077 73	
	<hr/>	
Total..	\$96,402 31	
Value of plant not known.		
Contract No. 21. J. D. McArthur. 246.6 miles.		
10% hold-back to end April, 1909..	\$624,164 37	
May estimate..	305,048 57	
	<hr/>	
Total..	\$929,212 94	
	750,000 00	
	<hr/>	
	\$1,679,212 94	

SESSIONAL PAPER No. 42a

At the end of September last, the value of the plant on this work was estimated by the contractor at \$734,317.84, and the value of supplies on line at \$200,000. Since that date I believe a considerable amount of the sub-contractors' plant has been removed, but the contractor has put on additional engines and rolling stock which may leave the value of the plant now there \$650,000, or say, with supplies, \$750,000.

In regard to plant on the work, I may say the valuation of same is that given by the contractors, and it is not probable these amounts could be realized if such plant had to be sold.

HUGH D. LUMSDEN,
Chief Engineer.

MONTREAL, QUE., July 8, 1908.

Mr. HUGH D. LUMSDEN,
Chief Engineer,
Eastern Division, National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—Referring to our recent visit to the work on District 'B' east of the St. Lawrence River, our examination of classification as rendered at points visited, and our conversation regarding same, I hope to repeat in writing what I stated to you verbally: that we still vigorously protest to the classification as returned to date. For example:

The first cut we visited, station 7135 to 7142. Gravel cut with little or no ledge. Classification returned 7,900 yards solid rock, 12,100 yards of loose rock.

Station 7146 to 7150. Returned 13,000 yards solid rock, 9,200 yards loose rock.

These are loose rock cuttings containing many large boulders. My judgment is that the solid rock returned is double what it should be, 25 per cent being a liberal allowance.

The cuts, stations 7164 to 7167 and 7167 to 7170, are also heavily classified. Quite a large portion of the west end of these cuts should be returned as common excavation.

The gravel cut on stations 7175 to 7182 is returned as 8,000 yards loose rock and 12,000 yards common excavation. This is purely gravel cut. There may have been a few small stones, which, if found in sufficient quantities might be termed loose rock, but certainly not more than 10 per cent at the outside. Classified as 40 per cent loose rock at present.

I am a little surprised in this, as in other cases, how any engineer could conceive of classification as returned unless the work was done in frost, and even this, in these cuts, should not change classification.

Stations 7085 to 7104. Classified, 7,200 yards solid rock, and 9,500 yards loose rock. With the utmost liberality I cannot see where over 20 per cent of this cut should have been classified as solid rock, and there should have been at least 10 or 15 per cent common excavation.

I take it that the above are fair samples of classification on this residency, if not on the entire division; in the aggregate you can readily see the effect upon the cost of construction.

For another example further west take the cut, Station 5940 to 5950. Estimated 44 per cent solid rock, 56 per cent loose rock. While there is a small amount of ledge in the bottom of the cut I should say 25 per cent solid would be ample, unless actual measurements of ledge and boulders have been taken. The other cuts visited in this vicinity are not so highly classified, though generally liberal.

The cut at stations 3880 to 3890 is mixed material, classified very high in both solid rock and loose rock.

9-10 EDWARD VII., A. 1910

The cut at stations 3844 to 3862 is classified 14,410 yards of solid rock and 3,720 yards loose rock. Cannot imagine how anything approaching the amount of solid rock can be found in this cut; would say that 50 per cent would be ample.

Station 3786 to 3825. Cut open at both ends. Classification very high in solid and loose rock.

Stations 3775 to 3789. Seems heavily over-classified in solid rock.

Stations 3267 to 3277. Classified 9,140 solid rock, 2,860 loose rock, or 76 per cent and 24 per cent, 50 per cent of each would, I am confident, be liberal.

Stations 3239 to 3247. Classified 45 per cent solid rock, 55 per cent loose rock. While the quantities in this cut are not large, it is, in my judgment, classified out of all reason. I can see no solid in it and nothing to exceed 20 per cent of loose rock.

East of the crossing of the Quebec Central Railway we find a large amount of material borrowed from the sides of embankments, and although most, if not all, of this material has been ploughed and moved by slip or wheel scrapers, much is returned as loose rock. I am willing to admit that hard material is found in the bottom of these borrow pits, but little, if any, has been moved, and I cannot see how this material can be classified under our specifications. A sample of this classification is found between Stations 1155 to 1200. Between these points we find 457 yards of solid rock and 3,049 yards of loose rock. There is a small cutting between these points which possibly might have a little loose rock, although it did not so appear to me in going over the work.

Westerly from this point there is a large amount of borrowed material which we have not seen. I presume, however, that you will find a certain percentage of classified material, even where material has been ploughed with two or four horses, and moved in the ordinary way.

In the above notes some of the station numbers may not be correct. I had supposed that I could check same by profiles in this office, but I find that neither the station numbers or mile posts agree with those found in the field.

This question of classification has been under discussion since early in October last. You have now seen different parts of the work in progress both east and west of the St. Lawrence river on Section 'B,' also at different places on District 'F,' where objections have been made to the classification as rendered by your assistants, and are, therefore, in a position to know whether our objections are valid.

We are sure that the classification as rendered does not agree with our original specifications or your instructions to your engineers, dated January 30. We believe that much of the material returned as solid rock in mixed cuttings is considered to be, under your instructions, what you term 'conglomerate,' as shown on diagram marked No. 3, but I fail to find in any of the cuttings examined any material which should properly be classed under that head.

As matters stand to-day, none of our objections have received serious attention, or at least no apparent change has been made in estimates as returned since September last. Some of the sub-contractors have finished their contracts, and others will soon complete their work. We object to their being paid upon estimates as returned, and therefore desire to know, with the least possible delay, what action you propose in the matter.

H. A. WOODS,
Assistant Chief Engineer.

SESSIONAL PAPER No. 42a

(GRAND TRUNK PACIFIC RAILWAY.)

WINNIPEG, MAN., July 12, 1909.

Mr. P. E. RYAN,
Secretary, Transcontinental Railway Commission,
Ottawa, Ont.

DEAR SIR,—I am in receipt of your letter of June 25 and 26, referring to arbitration of matters in dispute between the Chief Engineer of the Transcontinental Railway Commission and myself in reference to the construction of the Eastern Division of the Grand Trunk Pacific Railway.

B. B. KELLIHER,
Chief Engineer.

OTTAWA, June 26, 1909.

E. J. CHAMBERLIN, Esq.,
Vice-President and General Manager,
Grand Trunk Pacific Railway,
Montreal, P.Q.

DEAR SIR,—By direction of the board, I have the honour to hand you herewith a copy of correspondence relating to the matters in dispute between the engineers of your company and the engineers of the commission referred for determination to the arbitration tribunal provided for under the National Transcontinental Railway Act and composed of Messrs. Schreiber, Kelliher and Lumsden, including a copy of a resolution passed by our board at a special meeting held at 11 a.m., on the 25th instant, and a copy of a letter dated the 25th instant sent by direction of the board to each of the three arbitrators.

P. E. RYAN,
Secretary.

Extract from Minutes of a meeting held by the Commissioners of the Transcontinental Railway at Ottawa, July 14, 1909.

Honourable S. N. Parent in the chair.

The chief engineer reported verbally that it would be impossible to give an estimate of the amount of money involved in the disputes as to classification, owing to the fact that where cross-section notes of the engineers disagree with the present appearance of the work re-measurements will be necessary, and that the engineers who classified the work were not examined or requested to produce their books showing the monthly classification of the work as it progressed and that he is still of the opinion that the resident engineers who see the work from day to day, are in the best position to make the classification, if they are capable and honest; as far as their knowledge is concerned they are the best men, and everything being equal they are the best men to judge the work, seeing it done day by day.

Certified correct.

P. E. RYAN,
Secretary.

9-10 EDWARD VII., A. 1910

July 21, 1909.

H. A. Woods, Esq.,
Asst. Chief Engineer, G.T.P.,
Montreal, Que.

DEAR MR. WOODS,—This is to advise you that Mr. Gordon Grant has been appointed chief engineer by the government to replace Mr. Hugh D. Lumsden, whose resignation has accordingly been accepted, and entered at once upon the duties of his new position.

It is the desire of our board that Mr. Grant should go over the work without delay, commencing at District 'F.'

Under the agreement of January 10, 1908, signed by Mr. Hays, myself and our than chief engineer, you were named to look after matters concerning the eastern division, which arrangement was since carried out, as shown by the correspondence on file to date. In the above capacity, you have sent in certain objections which are on record.

We are of opinion, under the circumstances, that it would be desirable if you would accompany our chief engineer, who is to leave as soon as he can, on this tour of inspection, so as to judge of the work by yourself. Another important reason is that you will be able at the same time to form an accurate idea of what should be paid to the contractors on their monthly estimates, which we are anxious, as it is essential, not to unduly hold back. Our position in this respect is clearly defined in the agreement mentioned above.

Please give an immediate reply by wire as this is pressing.

S. N. PARENT,
Chairman.

OTTAWA, July 21, 1909.

GORDON GRANT, Esq.,
Chief Engineer.

DEAR SIR,—The board directs that you will write to Mr. H. A. Woods, assistant chief engineer Grand Trunk Pacific Railway, Montreal, advising him of your intended trip of inspection to Districts 'F' and 'B' and request that he accompany you, so that you may have an opportunity of learning to what extent you can agree as to the matters in dispute in these districts.

It is understood that you are leaving almost immediately on this inspection trip and the commissioners consider it most important that Mr. Woods should accompany you, so that a perfect understanding may be reached between you as to any differences that will have to be arbitrated, so that such arbitration, if any, may proceed at the earliest possible date.

P. E. RYAN,
Secretary.

OTTAWA, July 21, 1909.

H. A. Woods, Esq.,
Assistant Chief Engineer,
Grand Trunk Pacific Railway Company.

DEAR SIR,—My predecessor in office of chief engineer of the Eastern Division of the National Transcontinental Railway before resigning stopped the payment of the estimates of the contractors in Districts 'F' and 'B' owing to his having differed with the engineers in those districts on the matter of classification. It therefore becomes necessary for me to immediately visit the work in dispute in these districts, to see for myself the classification which has been allowed.

SESSIONAL PAPER No. 42a

The work under the McArthur contract in District 'F' being of such pressing urgency, I propose visiting that district at once and I to-day informed the commissioners of my intentions in this respect. They then directed me to advise you of my intended trip, and as their agreement with your company dated January 10, 1908, is still in force, that I request you to accompany me, so that pursuant to that agreement we may go into this matter on the ground and if possible, adjust these disputes to our mutual satisfaction, and arrive at an understanding as to any difference that may have to be arbitrated so that such arbitration, if any, may be proceeded with without delay.

I need not point out to you the absolute necessity of straightening up matters in District 'F' so as to insure the completion of this necessary link between your western division and your Fort William branch, so that your company may be in a position to participate in the transportation of this season's crop.

As stated before, I intend to start at once to District 'F' and will therefore be glad if you will telegraph me a reply on receipt of this letter.

GORDON GRANT,
Chief Engineer.

MONTREAL, July 22, 1909.

MR. GRANT, Esq.,
Chief Engineer N.T.R.,
Ottawa, Ont.

DEAR SIR,—I beg to acknowledge receipt of your favour of July 21st in which you advise that your predecessor, Mr. Hugh D. Lumsden, before resigning stopped payment of the estimates of the contractors in Districts 'B' and 'F' owing to his having differed with the engineers of these districts on the matter of classification, and that it becomes necessary for you to visit the work in dispute to see what classification has been allowed.

With reference to your visit to District 'F,' and your request that I accompany you, I wired you to-day as follows, which I now confirm:

'Just returned after ten days absence. Have engagements will prevent my leaving here before twenty-seventh. See letter mailed you to-day.'

In addition to previous engagements that prevent my leaving at once, I have to call your attention to the fact that our objections to classification on these districts are of long standing, and as an agreement concerning same could not be made, the matter was left to arbitration, as originally provided, the Chief Engineer of the Commission and the Chief Engineer of the Grand Trunk Pacific agreeing upon Mr. Collingwood Schreiber as the third arbitrator. The arbitrators have been over the line, and while their report has not been made, or at least has not been seen by the writer, I do not consider it advisable that I should visit the work and personally agree with you on the points which may have been taken under consideration by the board of arbitrators, and which might, to a certain extent, impair such report when made.

Under the circumstances, therefore, I do not feel that I can accompany you for the purpose stated, unless sanctioned by President Hays, who is now absent. I should, however, be pleased to accompany you over any part of the line when possible to do so, and where matters have not been left to arbitration, to go into them thoroughly with you, in the hope of a satisfactory settlement.

Please accept my hearty congratulations upon your appointment to the important position you now hold, and believe me,

H. A. WOODS,
Assistant Chief Engineer Grand Trunk Pacific Ry.

9-10 EDWARD VII., A. 1910

OTTAWA, July 24, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—I herewith submit for your information copy of my letter dated the 21st instant to Mr. H. A. Woods, assistant chief engineer of the Grand Trunk Pacific, and his reply dated the 22nd, which speak for themselves.

Mr. Woods says, 'I have to call your attention to the fact that our objections to classification on those districts are of long standing, and, as an agreement concerning same could not be made, the matter was left to arbitration.' While I am aware that Mr. Lumsden and Mr. Woods last summer went over part of District 'F,' I am not aware that they attempted to adjust, or did adjust any matters in dispute. Therefore, on assuming the position of chief engineer, I at once communicated with Mr. Woods, who is the man authorized by the Grand Trunk Pacific Railway Company to pass on and adjust such matters, but Mr. Woods, as you see by his letter, declines to act, unless sanctioned by President Hays. President Hays, I believe, is not now in Montreal; will be there next week. Therefore, I would respectfully suggest that you communicate with him, so that he will authorize Mr. Woods to accompany me over the work, and act in the position previously agreed on.

As District Engineer Poulin will be here on Monday, and as it is important that I at once go over the work, I propose to leave here on Tuesday, the 27th instant, and go over the line with the district engineer and his assistants, accompanied by the contractor, or such representative as he may select; also the sub-contractors concerned.

Notwithstanding the urgency of the case, it is important, and would be a source of great satisfaction to me, to have Mr. Woods along, acting in the capacity assigned him under the agreement dated January 10, 1908, I am prepared to wait a few days, so that you can communicate with President Hays, and, if possible, arrange for Mr. Woods to accompany me.

GORDON GRANT,
Chief Engineer.

July 22, 1909.

CHAS. M. HAYS, Esq., President,
Grand Trunk Pacific Railway Company,
Montreal, Que.

DEAR MR. HAYS,—Following the resignation of chief engineer Lumsden, the Government has appointed his successor in the person of Mr. Gordon Grant, who has now entered upon his new duties.

In view of the above change, the tribunal of arbitration recently instituted under clause 7 of the schedule to the N. T. Ry. Act becomes dissolved.

The work is one that should not be unduly deferred, and we are anxious that it be proceeded with at an early date. Our chief engineer will soon go over all parts of the line where construction is going on. It would be advisable that Mr. Woods accompany him on this trip, and I have just written him to that effect.

Before another board is formed to determine the matters in dispute, I would like to make a suggestion which, if agreed to, should serve a practical purpose, it is our belief, judging from past experience. On this ground I feel confident it will receive your prompt and earnest consideration.

All the monthly estimates of our contractors, in conformity with the special agreement signed by us and Mr. Lumsden on 10th January, 1908, are submitted to your assistant chief engineer who must file promptly his objections on behalf of the Company. They are then considered, and, if possible, disposed of by the above engineer

SESSIONAL PAPER No. 42a

and our own. When they fail to agree, as it seems to have been the rule so far, the differences must be settled by arbitration between the two chief engineers and a third arbitrator, if necessary.

Up to that stage your chief engineer has had nothing to do with the supervision of our work, which is looked after entirely by his assistant. It follows that your Company had recognized the fact that the latter could exercise this supervision more conveniently than his chief, Mr. Kelliher, who has to direct your operations in the west, being out on the line most of the time, as far even as the Pacific coast, and consequently not within reach.

According to the Act, however, only your chief engineer can represent your company on the arbitration tribunal which is to pass upon the question in dispute. The result is that Mr. Woods, although much more familiar with the work than his superior officer, having gone over it personally before, or at least received regular reports from the engineers on each district, must step aside and be replaced in the final adjustment by Mr. Kelliher, who cannot have had the same opportunity of keeping in touch with the work, and whose time besides appears to be exceedingly limited. Such an arrangement can easily lead to confusion, loss of labour and time, and, once put to a practical test, we have been in a position to see its defects. Referring to the subject, Mr. Lumsden wrote in his letter of resignation that 'this arbitration might have been proceeded with more than eight months ago but for the delay on the part of the Grand Trunk Pacific.'

Unless some officials are to blame, it is clear that the system must be faulty, and should be changed somehow or other.

A simple way of overcoming the difficulty, it seems, would be to place in Mr. Woods the property authority, under the Act, to serve in the capacity of arbitrator for your company, as its chief engineer, by a resolution of your board appointing him to be such in respect of the supervision of the Eastern Division, which he has practically exercised alone so far.

There are important reasons, as you know, why disputed classification and all other such matters that may arise from time to time should be looked into by the arbitrators without delay and in a thorough manner. On all sides nothing can be gained by allowing these questions to drag on needlessly or to be taken up without method.

It is easier, of course, to settle differences of this character soon after they are raised than six months or a year later. Public opinion is apt to be suspicious, and might be led to believe, as attempted already by some newspaper articles, that there must be a tacit understanding to let these matters stand. Such a state of affairs, moreover, tends to create uneasiness among the contractors who have let sub-contracts and do not know where they are at pending an adjustment. It surely must have some effect on the work, which we all desire to be vigorously pushed forward.

After thinking this matter over, perhaps you may find a better plan to suggest which would give the same result. In that case, I shall be thankful if you will be good enough to submit it at your earliest convenience.

S. N. PARENT,
Chairman.

GRAND TRUNK PACIFIC RAILWAY

Hon. S. N. PARENT,
Chairman, N. T. R. Commissioners.
Ottawa, Ont.

MONTREAL, QUE., July 22, 1909.

DEAR MR. PARENT,—I desire to acknowledge receipt of your favour of the 21st inst., in which you inform me that Mr. Gordon Grant has been appointed by the government as chief engineer of the Eastern Division of the National Transcontinental

9-10 EDWARD VII., A. 1910

Railway, replacing Mr. Hugh D. Lumsden, whose resignation has been accepted, and that Mr. Grant has entered at once on the duties of his new position.

I note also that it is the desire of your board that Mr. Grant should go over the work without delay, commencing at District 'F,' and that you consider it desirable that the writer accompany your chief engineer on this tour of inspection, to be made immediately, so as to be able to judge personally the character of the work.

In reply I regret to say that I have just returned after an absence of ten days, and that prior engagements will prevent my leaving here before the 27th. Moreover, in view of the fact that objections have been made by this company with reference to the character of the work as returned by district engineers, and that these objections have been referred to a board of arbitration consisting of chief engineers Lumsden and Kelliher, and Mr. Collingwood Schreiber, representing the government, who have visited the work and whose report has not yet been made, or at least has not been seen by the writer, I do not consider it advisable that I should visit the work and personally agree with your chief engineer upon points which may have been taken under consideration by the board of arbitrators, and which might, to a certain extent, impair such report when made.

Under the circumstances, therefore, I do not think that I can agree to accompany your chief engineer for the purpose mentioned, unless sanctioned by President Hays, who is now absent but will return within a few days.

H. A. WOODS,
Assistant Chief Engineer.

GRAND TRUNK PACIFIC RAILWAY.

July 28, 1909.

HON. S. N. PARENT,
Chairman, Transcontinental Railway Commissioners,
Ottawa, Ont.

DEAR MR. PARENT,—I have yours of July 22nd and note the appointment of Mr. Gordon Grant as successor to chief engineer Lumsden. This, however, has no bearing on the question of the matters which were submitted to the Board of Arbitration, of which Mr. Lumsden was a member, because I understand before his resignation the board had practically arrived at a determination of the matters reviewed by them up to that date, and in fact that the arbitrators, or a majority of them, are now prepared to make their report as far as the work had proceeded up to the time of Mr. Lumsden's retirement.

I do not consider that it will be necessary for Mr. Kelliher to again go over that portion of the work reviewed by Messrs. Schreiber, Lumsden, and himself. If it is now desired to proceed with the arbitration of matters as yet unadjusted, and it is your intention to substitute Mr. Gordon Grant for Mr. Lumsden on such arbitration, that is, of course, quite in order.

Referring to what you say about the memo. of agreement of date January 10th 1908. This simply provides that the assistant chief engineer shall promptly file objections to estimates which, if not then satisfactorily adjusted between himself and the chief engineer of the Commissioners, are to be referred for decision of the arbitrators as provided for in the Act, and it therefore, at least by implication, would prevent assistant chief engineer Woods acting as one of the arbitrators in case of failure on the part of himself and the chief engineer of the Commissioners to agree.

I do not agree with you in the idea that because our chief engineer has not had direct control of the work on the Transcontinental Railway, he is disqualified from being a proper representative of this Company on the Board of Arbitration. While Mr. H. A. Woods, his assistant, is immediately in charge of the work, the jurisdiction and control of chief engineer Kelliher is quite as conclusive as that of your own chief

SESSIONAL PAPER No. 42a

engineer. I, therefore, prefer to let matters remain as they are at present, and as to the prompt disposition of everything coming up, there is no reason from the standpoint of the Grand Trunk Pacific, why they should not be proceeded with promptly. I think you will find on examining the records that whatever delays there may have been heretofore in proceeding to arbitration of matters in dispute, they have been as often chargeable to the Commission as to the officers of the Grand Trunk Pacific Railway.

CHAS. M. HAYS.

MONTREAL, QUE., July 28, 1909.

Mr. HUGH D. LUMSDEN,
Chief Engineer, Eastern Division,
National Transcontinental Railway,
Ottawa, Ont.

DEAR SIR,—In a recent letter from District Engineer Mann he writes that:

‘The classification is undoubtedly going from bad to worse, even on the parts of the work you saw when out with Mr. Lumsden.’

He also reports that at points along the line where steam shovels are being used, the yardage is being returned at train haul price, regardless of the distance from line at which borrow material is being taken. This is not in accordance with the specifications, which clearly state:

‘The work will be estimated so as to make the least cost.’

Complying with this clause, no train haul should be allowed on District ‘F’ where material borrowed is within 2,700 feet haul. Mr. Mann gives, as instance of train haul, among others, Stations 83 and 93, Mile 134, with the following remark:

‘Here are borrows being put in with scrapers without the use of a single car or a foot of track, though that would really make no difference, and it is returned as *Train Fill*. It must be remembered that under no circumstances can the price of this material by any possible stretch of the imagination be in any other way figured up to a price of 52c. per yard. The material is good, and the haul moderate.’

Another point to which Mr. Mann makes objection is the returning of dry masonry as third class. He give instances at stations 2618 and 2628-60, stating that these culverts dry, and had then been plastered on the outside and inside with mortar, and returned as third class. One of these culverts was under construction when he saw it, and others had settled so that the plastering had fallen away showing the entire lack of any mortar in the interior. He further states that some of these culverts were returned dry in former estimates and were later transferred to third class.

I have no doubt that Mr. Mann has taken his objections up with District Engineer Poulin, but I think it proper to call your attention to the same, as you may have overlooked these matters in passing estimates.

H. A. WOODS,
Assistant Chief Engineer.

31st July, 1909.

CHAS. M. HAYS, Esq., President,
Grand Trunk Pacific Railway Company,
Montreal, Que.

DEAR MR. HAYS,—After reading your letter of the 28th instant, a few remarks suggest themselves to me as we disagree on several points, and, in places, you seem to have taken a meaning from what I said that certainly was not in my mind.

The sole purpose of my suggestion was to simplify matters, save time in the adjustment of differences, and thus avoid difficulties which arise from the present sys-

9-10 EDWARD VII., A. 1910

tem. As a matter of fact, it is otherwise immaterial to us which of Mr. Kelliher or Mr. Woods will exercise the supervision and sit as arbitrator when there are difficulties to settle.

It never occurred to me to contest the right of Mr. Kelliher, under the Act, to act in the last-named capacity. I merely wanted to show that, in practice, the method appeared to be inconsistent, and gave just cause for criticism. Our idea, since Mr. Woods, as arranged, looks after all this end of the work, that he would be in a better position than his chief to represent your company in arbitration proceedings. There is nothing in the agreement, so far as we can see, to prevent this being done, for the reason that in regard to the filing of objections he is taking the place of his superior officer simply as a matter of convenience, from the company's point of view.

Strong objection was taken by us to the manner in which the arbitrators conducted their proceedings. A resolution of our board, founded on serious complaints, is sufficiently explicit in that respect. I inclose a copy of the whole file. The same was sent to Mr. Chamberlin on the 26th of June, but it will be more convenient to have one in your office for ready reference. Letters from the contractors and our district engineers are particularly important to note. In view of these facts, we could not possibly accept a report from the arbitration tribunal, not even if they all agreed or had not since ceased to exist as such. The ground they covered will therefore have to be gone over again and all available information secured, which was not done in the first instance.

Let me say here that Mr. Lumsden's resignation distinctly applied also to his duties as arbitrator, the latter being part of his office. It was the proper course to take. Then it is not merely in order, but quite necessary that he should be replaced in future proceedings, which means that the old board is dissolved and a new one has to be formed.

Our chief engineer left a few days ago on a tour of inspection, covering district 'F' first. On his return he will communicate at once with Mr. Kelliher in regard to the adjustment of pending differences. Before they can proceed to determine them, a third arbitrator must be agreed upon, which, if possible, will be Mr. Schreiber. I should think. Public interest demands that no efforts should be spared to have a fair and complete arbitration. All objections raised must therefore be looked into with the greatest possible care, and the various parties concerned, including contractors, should be heard. So that when a decision is rendered the government may be reasonably protected against future claims from contractors, as they will have been given ample opportunity to show cause and bring evidence in support of their views.

S. N. PARENT.

Chairman.

OTTAWA, August, 24, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—As you are aware, my predecessor, Mr. Lumsden refused to sign the progress estimates for the months of May and June, on District 'F,' and for the month of June on District 'B' alleging that his instructions in the matter of classification, &c., had been ignored by his staff. It became necessary for me therefore to go over that portion of District 'F' inspected by Mr. Lumsden, and satisfy myself, from a thorough personal inspection of the work whether his contentions were correct or not that his instructions had been ignored.

With regard to my inspection of District 'F' I beg to report as follows:—

In the matter of overbreak in rock cuttings. I am of the opinion that more overbreak has been returned than is customary on railway construction in Canada, and have notes of all rock cuttings in this regard.

SESSIONAL PAPER No. 42a

In the matter of classification, I have also notes made in any of the cuttings where my predecessor's interpretation of the specifications, together with his explanatory blue print diagram have in my opinion, been misunderstood or misinterpreted by some of the engineers on this work.

As to Mr. Lumsden's allegation that his instructions had been ignored, all the engineers I have seen deny this most emphatically, stating that they have followed to the best of their ability and judgment Mr. Lumsden's interpretation of these specifications and explanatory diagram with regard to classification dated January, 1908, and which was also approved by Mr. Woods, assistant chief engineer of the Grand Trunk Pacific Railway Company.

The securities held by the Commissioners as at June 1, 1909, for the satisfactory performance of the McArthur contract, as reported by my predecessor, are as follows:

Contract No. 21—J. B. McArthur, 246.6 miles.

10 per cent hold back to end of April, 1909.. . . .	\$624,164 37
May estimate.. . . .	305,048 57
Estimated value contractor's plant and supplies .. .	750,000 00
<hr/>	
Total.. . . .	\$1,679,212 94

From what I know from personal investigation of conditions existing on that part of District 'F' to which Mr. Lumsden took exception, I will approve the payment in full of McArthur's estimate for May and 75 per cent of June estimate, but will withhold further payments until such time as I can figure out from my notes exactly how much is involved in the deductions for excess overbreak and over classification by the engineers, when I will submit for your information a detailed report covering each cutting where deductions have been made, either in the matter of overbreak or over classification.

With respect to the O'Brien, Fowler & McDougall contracts in District 'F' the original securities are still on deposit, and the work is not nearly so far advanced. Under the circumstances, I am strongly of the opinion that the payments of their estimates should never have been stopped, as ample opportunity will offer for effecting any readjustments or revisions that may be found necessary before final payments will have to be even considered and no objections had been filed by the Grand Trunk Pacific to the work covered by these contractors. I therefore propose approving the estimates of these contractors at once.

With regard to District 'B.' I have a personal knowledge of some of the work on this district, and while some of the cuttings, in my opinion may be over classified, I am satisfied that the amount involved will not reach the amount of the estimates and securities held, which latter at June 1, 1909, were reported by my predecessor as follows, viz.:—

Contract No. 7—M. P. & J. T. Davis—53.6 miles—

Deposit.. . . .	\$100,000 00
10 per cent of progress estimates.. . . .	82,001 57
<hr/>	
Total.. . . .	\$182,001 57

Value of plant unknown.

Contract No. 8 (east)—M. P. & J. T. Davis—149.12 miles—

Deposit.. . . .	\$225,000 00
Balance of 10 per cent hold back.. . . .	135,850 18
<hr/>	
Total.. . . .	\$360,850 18

Value of plant unknown.

SESSIONAL PAPER No. 42a

that the Commissioners of the Transcontinental Railway objected to and protested against the proceedings of the arbitrators as being improper and illegal for the following reasons, viz.:

- (a) That they were based in whole or in part on a draft agreement dated May 14, 1909, which had been rejected and which had no existence in fact;
- (b) That the examination of the work was of a hasty, insufficient and superficial character;
- (c) That the engineers on the line who classified the work were not afforded a sufficient hearing and an opportunity of presenting evidence;
- (d) That the contractors were not afforded an opportunity of showing cause;

and further, that the commissioners insisted, in the public interest, that the proceedings of the arbitration tribunal should be exhaustive, final and conclusive; should cover all the objections filed on behalf of the Grand Trunk Pacific Railway Company, and that the report of the arbitrators, when made, should be supported by substantial evidence, including details of quantities, etc., which would safeguard the position of the commissioners in any litigation which might arise with the contractors as a result of any action which might follow the report of the board of arbitrators.

The arbitrators, not having completed their work when Mr. Lumsden resigned as arbitrator and chief engineer of the eastern division of the National Transcontinental Railway, it follows that the arbitration tribunal of which he was a member became *ipso facto* dissolved, and that, consequently, the matters considered by the arbitration tribunal, when properly and fully constituted, will now have to be reconsidered by a board of arbitrators composed of yourself, as chief engineer of the Grand Trunk Pacific Railway Company, the undersigned as chief engineer of the eastern division of the National Transcontinental Railway, and a third arbitrator to be agreed upon by us.

My first action on taking up the duties of my present position was to write to Mr. H. A. Woods, assistant chief engineer of the Grand Trunk Pacific Railway Company (who is the official designated by agreement between the commissioners and the Grand Trunk Pacific Company to file with the chief engineer of the commissioners objections, if any, on behalf of the company, to the contractors' monthly estimates), advising him of my intention to inspect the work in dispute, firstly, in district 'F,' and, secondly, in district 'B,' requesting that he accompany me, so that we might, if possible, adjust the matters in dispute in a mutually satisfactory manner and arrive at an understanding as to any differences that might have to be arbitrated, so that such arbitration, if any, might be proceeded with without delay. This Mr. Woods declined to do.

The reasons for my so acting seem to me to be perfectly obvious, but it may be perhaps as well that they be clearly stated herein.

The chief engineer of the commissioners is vested with full authority to rectify at any time any errors made by his engineers on the work, so that their returns will comply exactly with his views with respect to matters of classification, overbreak and every other item included in the contracts for construction. Until, therefore, he has personally inspected the work, and either approved the returns made by his subordinates on the work, or rectified them so as to bring them in harmony with his views, and consulted with the properly authorized representative of the Grand Trunk Pacific Company so as to ascertain if they can agree, or must disagree, there can be nothing to arbitrate.

Notwithstanding the position taken by the assistant chief engineer of the Grand Trunk Pacific Company with respect to my request, I considered it my duty to make a personal inspection of the work in district 'F' to see for myself the classification and overbreak (the two matters covered by the objections filed by Mr. Woods) which had been allowed by the engineers in that district, and to ascertain if, in my judgment,

9-10 EDWARD VII., A. 1910

the classification allowed strictly complied with the interpretation of the clauses of the specifications made in January, 1908, by my predecessor, Mr. Lumsden, and concurred in on behalf of the Grand Trunk Pacific Company by Mr. H. A. Woods, the assistant chief engineer of the company.

I am indeed quite unable to understand why my predecessor, Mr. Lumsden, did not take a similar course before submitting to arbitration the matters of classification and overbreak, with respect to which he could obtain an adequate personal knowledge only by such personal inspection. Had such a course been adopted, it is quite possible that there might have been no need for arbitration.

I have now completed a thorough personal inspection of the work under the McArthur contract in district 'F,' and I am of the opinion that, in the matter of overbreak in rock cuttings, more overbreak has been returned than is customary on railway construction work done in Canada. I have notes of all rock cuttings in this regard, and the returns of the engineers in the field will be revised to meet my views in this respect.

In the matter of classification, I have taken notes of all cuttings where, in my judgment, the approved interpretation of the specifications has been misunderstood or misinterpreted by some of the engineers on the work, resulting in over-classification. In all such cases provision will be made so as to bring the returns within what, in my judgment, will constitute a strict compliance with the interpretation of the classification clauses of the specifications made in January, 1908, by my predecessor, Mr. Lumsden, and concurred in by the assistant chief engineer of the Grand Trunk Pacific Company, Mr. H. A. Woods.

These revisions will be made at once, and I think it is my duty and yours, that we should now together proceed over this work with a view to ascertaining if we agree or disagree as to the work as it now stands. It may be that we will agree in which case there will remain nothing to arbitrate. If there be any matters in regard to which we cannot agree, then I am of the opinion that the public interest and the interest of the Grand Trunk Pacific Company will be best served by our immediately ascertaining what these matters may be, and submit them to arbitration, as provided for by the National Transcontinental Railway Act, without unnecessary delay.

I will therefore be glad if you will advise me at once if you will so accompany me and when, or in the alternative, please submit to me the name of a third arbitrator.

GORDON GRANT.

Chief Engineer.

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS,
OTTAWA, August 31, 1909.

Hon. S. N. PARENT, K.C.,
Chairman,
Transcontinental Railway Commission,
Ottawa.

Dear Mr. PARENT,—As I was leaving for Europe some time ago the resignation of the chief engineer of the commission, Mr. Lumsden, was received, and I left it with my colleagues for consideration. I find on my return that in his letter of resignation Mr. Lumsden intimated that he had lost confidence in certain of his staff.

I have no doubt that this intimation is unnecessary, but wish to emphasize the Government's attitude in this matter. Should it be found that any member of the staff has been dishonest or wilfully negligent in the performance of his duty, he should be summarily dealt with.

What you desire and what we all desire is justice to all parties and the fullest protection of the public interest. Any employee who has forgotten this, or has failed to act on this principle cannot be retained for a moment.

GEO. P. GRAHAM.

SESSIONAL PAPER No. 42a

OTTAWA, September 2, 1909.

The Honourable

GEO. P. GRAHAM, P.C.,

Minister of Railways and Canals.

DEAR MR. GRAHAM,—The views expressed in your letter of the 31st ultimo coincide exactly with our own, and I need hardly say that we are prepared at all times to act along these lines in the matter of our staff and any other within our control which might affect public interest.

Should any reasonable proof be brought that employees in our service had been guilty of serious negligence or wrong-doing, you can rest assured that the Commissioners would deal prompt justice, as we have done already in several cases.

It is not a vain word to say that our engineers in the field can bear comparison with those on any other railroad. Most of them have been connected with the N. T. C. Ry. since its earliest stage, when comprehensive surveys had to be carried on from one end of the year to the other, through a rough and distant region, amid great hardships. They are men of good professional standing and experience, appointed by, or with the approval of Mr. Lumsden, and there is nothing before us to show that a single one of those retained proved deficient or dishonest, otherwise it would have been his duty to call to account the men in whom he had lost confidence, or at least to report them with the facts to our Board. As no such step was taken by him, it must be inferred that the real point at issue lay elsewhere.

From a consideration of these facts and of what took place before he resigned, I should incline to understand the intimation you refer to as meaning that Mr. Lumsden had lost confidence in his ability to direct his men and exercise the authority incumbent on his position, rather than in anyone's integrity or faithfulness. The lack of further explanation, under the circumstances, should not be enough to condemn engineers who had apparently, up to that moment, been found worthy by him of the trust placed in them.

Still, we did not wish to leave room for the least doubt. When Mr. Grant assumed his new office, it was therefore thought proper to have him make at once a direct and careful enquiry into the situation to see whether there could have been anything wrong.

As you are now aware, Mr. Lumsden came to resign after our Board had taken strong exception to the manner in which the arbitrators had conducted their proceedings. The ground covered by them was sections in Districts 'F' and 'B,' which were taken in an advanced state, if not partly completed.

Having been on the work several times while it was in progress, as inspecting engineer, there is no doubt that Mr. Grant was better acquainted with its character and aspects than his predecessor. There is nothing, however, in Mr. Grant's opinion, to show that the imputation cast by Mr. Lumsden is justified. His report on District 'F,' of which I enclose a copy, brings this fact out beyond doubt. He is now making a similar inspection in District 'B,' and I shall be pleased to let you know the result of it as soon as put before our Board in writing. A thorough investigation has not, in the first case, revealed any actions on the part of the engineers to show that they had not acted in good faith, to the best of their ability and judgment. If some figures need revision; it is the duty of the chief engineer to correct them, but it does not follow that there has been any deliberate and calculated disregard of his instructions.

For the safeguard of public interest as well as our own protection, every care has been taken so far, and will be in the future, to have the closest supervision exercised over all employees from head down. The appointment of a general inspecting engineer and later of residency inspectors is proof that our constant aim has been to render this control as effective as it could possibly be made..

A letter from Chief Engineer Grant to his colleague, Mr. Kelliher, of the G.T.P., in regard to disputed classification, written on his return from the first part of his

9-10 EDWARD VII., A. 1910

trip, may further help you to understand clearly the position, as it has a direct bearing on this matter. A copy of it is therefore attached, together with copy of some recent correspondence between Mr. Hays and myself relating to the same subject.

S. N. PARENT,
Chairman.

OTTAWA; Sept. 7, 1909.

Honourable GEO. P. GRAHAM, P. C.
Minister of Railways and Canals,
Ottawa.

DEAR MR. GRAHAM,—A copy of some correspondence has been sent you in connection with the proceedings of the arbitrators, viz: Messrs. Kelliher, Schreiber and Lumsden, in re classification and overbreak on the eastern division of the National Transcontinental Railway.

I now send for your file a copy of the correspondence which preceded that already sent you, and a copy of that which has taken place subsequently.

P. E. RYAN,
Secretary.

(Office of the Minister of Railways and Canals.)

OTTAWA, 9th September, 1909.

P. E. RYAN,
Secretary, Transcontinental Railway Commission,
Ottawa.

DEAR SIR,—My minister is in receipt of yours of the 7th instant inclosing copy of correspondence preceding and subsequent to that already sent in re Proceedings of the Arbitrator, for which I am directed to thank you.

C. B. ROBINSON,
Private Secretary.

OTTAWA, September 14, 1909.

The Commissioners of the Transcontinental Railway.
Ottawa, Ont.

DEAR SIRs,—With regard to my recent trip of inspection on the Macdonell & O'Brien contract on District 'B,' mile 50 to 150, west of the Quebec bridge, and from mile 150 to mile 163 on the Grand Trunk Pacific contract, which contract extends from mile 150 to mile 200 west of the Quebec bridge, I may say that the deduction I propose making on the 13 miles of the Grand Trunk Pacific contract for excess overbreak and over-classification will be approximately \$15,000, and on the 100 miles of the Macdonell & O'Brien contract approximately \$272,000.

As this is a large sum of money, the deduction of which at any one time will seriously embarrass the contractors, and as we, in any cases, have ample protection by the amount of our 10 per cent drawback, I propose to pay the 25 per cent held back on the Grand Trunk Pacific estimate for June, pay the July estimate in full, and deduct the \$15,000 from the August estimate.

With regard to the \$272,000 to be deducted from the Macdonell & O'Brien contract, I will deduct the 25 per cent still held back on their June estimate, pay the July estimate in full, deduct the total estimate for August, and deduct 50 per cent of the September estimate, balance to be deducted from the October estimate.

SESSIONAL PAPER No. 42a

Considerable remeasurements will have to be made on some residences before the overbreak and over-classification can be arrived at and deducted, but in some cases I have deducted a lump sum pending the remeasurement, so that the deductions I have made may be less after the remeasurements.

I also beg to inform you that, so far as District 'B' is concerned, I have since the 1st of last June inspected, with the exception of some sand cuts, all the work from the Quebec bridge, mile 0, west to the 225th mile, and may say that, from mile 0 to mile 50, I have no fault to find with the classification that has been allowed, and from mile 163 to mile 225 the classification that has been allowed is also correct, and no excess overbreak has been returned on that part of the line.

To-morrow morning I leave for Quebec to complete my inspection of that district, that is, from the Quebec bridge easterly to the New Brunswick boundary, a distance of 200 miles. This will take me three weeks or more.

In regard to the progress estimates on the contracts in District 'B' east of the Quebec bridge, I will release the 25 per cent still due on the June estimates, and also sign the July estimates, so that any deductions that may have to be made can be deducted from the August estimates, and, if necessary, also from the September estimates. The estimates for the contracts Quebec bridge to mile 50 westerly I will pay to date. There are no complaints on these contracts and there never has been any. This same applies to the contract mile 200 to mile 300. There are no complaints now, nor have there ever been any.

GORDON GRANT,
Chief Engineer.

OTTAWA, Sept. 14, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS.—With regard to my recent trip of inspection on the J. B. McArthur contract in District 'F,' I may say that the deductions I propose making for over returns in the matter of overbreak and overclassification will be approximately \$370,000, but it may be less after remeasurements have been made.

Consequently, I propose signing J. D. McArthur's progress estimates to date, after deducting the above stated amount from them.

I am sending a report to the district engineer who will have his resident engineers deduct the above amount in detail from their estimates. I may say that in some cases where the measurements were not finally made in uncompleted cuttings, and where, in my opinion, over-classification had been allowed, I simply deducted a lump sum, and when the final measurements are made the district engineer will adjust the matter in accordance with the rate of classification we allowed to allow.

GORDON GRANT,
Chief Engineer.

September 15, 1909.

E. J. CHAMBERLIN, Esq.,
Vice President and General Manager,
Grand Trunk Pacific Railway Co.,
Ottawa, Ont.

Dear Mr. CHAMBERLIN,—On receipt of your letter of even date, I directed our Chief Engineer Mr. Grant, to see Mr. Schrieber at once and find out whether he would be prepared again to act as third arbitrator of matters in dispute upon which our two engineers might fail to agree. In the event of Mr. Schreiber's acceptance, Mr. Grant is to wire immediately to Mr. Kelliher so that the latter may arrange to be in Ottawa

9-10 EDWARD VII., A. 1910

and sign the required joint letter without delay. From here the three gentlemen can then proceed together to go over the work in District 'F.' Will you kindly instruct Mr. Keliher by telegram accordingly?

As a result of our exchange of views this morning, it is now fully understood that the two Chief Engineers are to discuss all differences on the ground as they go along. Whenever these cannot be disposed of by mutual accord, Mr. Schreiber will be called in, and the questions at issue passed upon by the three of them sitting as an arbitration tribunal. In order that the proceedings may be exhaustive, as desired evidence and witnesses can be produced by each side in support of its contentions.

S. N. PARENT,
Chairman.

GRAND TRUNK PACIFIC RAILWAY,
OTTAWA, September 15, 1909.

Hon. S. N. PARENT,
Chairman, Transcontinental Railway Commission,
Ottawa, Ont.

DEAR SIR,—Referring to conversation had with you to-day relative to Arbitration Committee.

We are ready to have the Commission go on with their examination, and consent to their re-examining matters complained of and looked into by the former Commission consisting of Mr. Collingwood Schreiber, third arbitrator, Mr. Hugh D. Lumsden, Government Engineer and Mr. B. B. Kelliher as chief engineer of the Grand Trunk Pacific.

I presume this committee will start their examination from Winnipeg and work east to Moncton.

Mr. Kelliher is now in Winnipeg, and will be ready to start any day which will suit the convenience of Mr. Schreiber and Mr. Grant. Will you kindly advise me as early as possible when Mr. Grant and Mr. Schreiber will be ready to start, so that we may arrange the affairs of our engineering department accordingly.

We trust that this examination will be very thorough and will be continued over the entire line, taking up and settling all matters under question.

It would be the wish of the Grand Trunk Pacific Railway that Mr. Schreiber be appointed permanent arbitrator to decide any matters which might come up between Mr. Kelliher and Mr. Grant at any future time after this present examination is completed. In that way it would avoid any delays in appointing and getting another commission into the field.

E. J. CHAMBERLIN,,
Vice President and General Manager.

GRAND TRUNK PACIFIC RAILWAY,
MONTREAL, September 18, 1909.

Hon. S. N. PARENT,
Chairman, Transcontinental Railway Commission,
Ottawa, Ont.

DEAR SIR,—Your letter of the 15th instant received. I cannot see that there is any necessity for a further joint letter appointing Mr. Schreiber to act as third arbitrator. We have already the letter of March 22, 1909, signed by the Chief Engineer of the Transcontinental Railway and the Chief Engineer of the Grand Trunk Pacific Railway selecting Mr. Schreiber to act as third arbitrator, and the consent of Mr. Schreiber to act in that capacity endorsed thereon. This is all that is required by clause 7 of the agreement with the government. The resignation of Mr. Lumsden

SESSIONAL PAPER No. 42a

does not void the official acts performed by him while acting as Chief Engineer of the Commission. Mr. Grant simply succeeds Mr. Lumsden as chief engineer, but that does not render necessary the re-performance of acts that have already been regularly performed by his predecessor.

I am quite willing as you propose and as mentioned in my former letter, that the arbitrators should go over all questions in dispute from the beginning, letting the two engineers discuss all differences on the ground as they go along and where they cannot agree call in Mr. Schreiber.

You are anxious that these proceedings should be binding upon your contractors, and I would therefore suggest that the three arbitrators before commencing their duties should take an oath of office, as is usual in all arbitration.

Inasmuch as you propose that District 'F' be first taken up, it will be more convenient if Messrs. Schreiber and Grant proceed to Winnipeg, where they will meet Mr. Kelliher and start from there. If you will let me know when Mr. Schreiber and Mr. Grant can attend, I will arrange to have Mr. Kelliher on hand when they arrive.

E. J. CHAMBERLIN,
Vice President and General Manager.

P.S.—Please address any further communications to me at Winnipeg.

E. J. C.

OTTAWA, Sept. 20, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—With reference to my letter of the 14th instant *re* my recent inspection of District 'F,' and in which I stated that I was deducting \$370,000 from the progress estimates now due Mr. McArthur. Since writing that letter, I have revised my figures, and the amount to be deducted now is \$359,488.96, and my construction accountant has since informed me that Mr. Lumsden had previously deducted \$140,086.80 from McArthur's March estimate, and \$17,000 from the April estimate, but for what reason I do not know, though I presume it was for overbreak, but he has left no record or memorandum showing from what residency, subcontractor or cutting he wished the above amount deducted.

Consequently, as I am satisfied that, for the present purposes, and until the arbitration has taken place, the above mentioned amount is sufficient to hold back, I have signed McArthur's estimates to date, after deducting the \$359,488.96, less the amount previously deducted by Mr. Lumsden, viz: \$157,086.80, which will amount to a deduction on my part of \$202,402.16.

GORDON GRANT,
Chief Engineer.

OTTAWA, Sept. 27, 1909.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

SIRS,—For your information, I beg to hand you herewith copy of a letter received from Mr. B. B. Kelliher, chief engineer of the Grand Trunk Pacific Railway, dated the 23rd instant, in reply to my letter to him of the 26th of August last, a copy of which was handed you on the same date.

GORDON GRANT,
Chief Engineer.

9-10 EDWARD VII., A. 1910

WINNIPEG, September 23, 1909.

MR. GORDON GRANT,
Chief Engineer, N. T. Railway,
Ottawa, Ont.

DEAR SIR,—Your letter of August 26th referring to reclassification of certain parts of the work on the Eastern Division of the National Transcontinental Railway now being arbitrated between the Commissioners and the Grand Trunk Pacific Railway, has been following me over the western country for some time, until I finally received it at Prince Rupert as I was leaving that place a week ago. As the subject matter of the letter is now under arbitration, I do not feel that I can individually do other than bring the matter before Mr. Schreiber, the third arbitrator agreed upon, and to that end I have to-day forwarded him a copy of your letter.

B. B. KELLIHER.
Chief Engineer.

OTTAWA, Sept. 25, 1909.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

DEAR SIRS,—In view of the fact that arrangements are now pending for the immediate arbitration of the disputes on classification, &c., with the G.T.R., and as this will indefinitely postpone the completion of my personal inspection of the work on District 'B' on the south side of the St. Lawrence river (having to date completed my inspection of all disputed points, with this exception) and as our 10 per cent holdback on the two contracts still uninspected with the contractors' deposit amounts to \$947,623.72, the 10 per cent holdback being \$622,623.72 and the deposits amounting to the sum of \$325,000, and moreover, in the agreement dated the 10th of January, 1908 between yourselves and the Grand Trunk Pacific Railway Company it was agreed that in no case would monthly payments be delayed, except with the consent of the Commissioners, under the circumstances, I do not intend to delay longer the payments of the estimates on these contracts (Nos. 7 and 8, Messrs. M. P. & J. T. Davis), and will now sign the August estimates which I had intended holding back until I had inspected the work.

GORDON GRANT.
Chief Engineer.

OTTAWA, September 28, 1909.

E. J. CHAMBERLIN, Esq.,
General Manager.

DEAR MR. CHAMBERLIN,—In your letter of the 18th instant you argued that it was not necessary to have another joint letter of our two chief engineers agreeing upon Mr. Schreiber as third arbitrator of differences to be determined. At the suggestion of the Premier that we should consult the Department of Justice on that point, Messrs. Schreiber, Grant and myself called on the deputy minister and laid the matter before him so as to have a legal opinion. He has just sent the same in writing, and you will find a copy of it enclosed.

As he advises that a new appointment be made, a letter was prepared, similar in every word to the first one, which will be signed by Mr. Grant and Mr. Schreiber and taken up to Mr. Kelliher for his signature.

The course followed, you will see, was the best one under the circumstances, since it meets all requirements and at the same time does not affect the questions to be considered, which, you will agree, will have to be gone over from the beginning.

SESSIONAL PAPER No. 42a

Both Mr. Grant and Mr. Schreiber will proceed to Winnipeg on Thursday, the 30th instant, as I just advised you by telegram. We trust the determination of matters in dispute will be made, as arranged, without delay.

S. N. PARENT.

THE DEPUTY MINISTER OF JUSTICE, CANADA,
OTTAWA, September 28, 1909.

I am of opinion, upon perusal of the annexed correspondence and of sections 7 and 4 of the agreement, that, Mr. Lumsden having resigned, it is necessary, or at least advisable, for Mr. Grant, his successor, and Mr. Kelliher to join in a new appointment of Mr. Schreiber as third arbitrator.

E. L. NEWCOMBE,
Deputy Minister.

OTTAWA, September 29, 1909.

COLLINGWOOD SCHREIBER, Esq., C.E., C.M.G.,
General Consulting Engineer to the Government,
Ottawa, Ont.

DEAR SIR,—By clause 7 of the agreement between the Government of Canada and the Grand Trunk Pacific Railway Company, dated the 29th of July, 1903, being schedule to 3 Edward VII., chapter 71, in regard to the construction of the Eastern Division, it is provided that the work shall be done according to the specifications approved of by the Grand Trunk Pacific Railway Company, and shall be subject to the joint supervision, inspection and acceptance of the chief engineer appointed by the Government and the chief engineer of the railway company, and in the event of differences as to specifications, or in case the said engineers shall differ as to the work, the questions in dispute shall be determined by the said engineers and a third arbitrator to be chosen by them.

Some such differences having arisen as a result of objections filed by the company, we hereby beg to choose you as third arbitrator for the determination of the questions now in dispute, and on which we have failed to agree after visiting the work, and shall be pleased if you are agreeable to accept the office. In the event of your acceptance, a formal submission will be prepared and handed to you later.

GORDON GRANT,
Chief Engineer, Transcontinental Railway.

Chief Engineer, Transcontinental Railway.

I hereby accept the above appointment.

COLLINGWOOD SCHREIBER.

OTTAWA, 29th September, 1909.

WINNIPEG, MAN., 8th October, 1909.

Hon. S. N. PARENT,

Chairman Trans. R'y Com'n, Ottawa.

You seem to misunderstand position Grand Trunk Pacific Railway. My agreement with you which is outlined in your letter fifteenth was that all differences were to be discussed on the ground in accordance with article seven of the agreement between the Grand Trunk Pacific Railway and your government, and we are ready at any time to proceed on that basis. Mr. Grant declined to discuss and settle differences as above suggested, therefore delay rests entirely with your Commission.

E. J. CHAMBERLIN.

9-10 EDWARD VII., A. 1910

OTTAWA, September, 29, 1909.

J. D. McARTHUR, Esq.,
Railway Contractor,
Winnipeg, Man.

DEAR SIR,—By direction of the board, I beg to advise you that the chief engineer of the commissioners, Mr. Gordon Grant, and Mr. Collingwood Schreiber, C.M.G., are leaving Ottawa to-morrow and will, with Mr. Kelliher, the chief engineer of the Grand Trunk Pacific Railway, whom they will meet in Winnipeg, proceed over the line under contract for construction by you for the purpose of settling by arbitration the matters in dispute.

This notification is given you so that you may, if you so desire, appear before them and submit evidence with respect to your work and the matters in dispute thereon.

P. E. RYAN,
Secretary.

WINNIPEG, MAN., October 2, 1909.

P. E. RYAN.

Phone Sec'y, T. C. R., Ottawa, Ont.

Kelliher ignores the filed objections made by Woods. Positively refuses to act unless allowed to investigate everything on the line as to classification or any other matter he may see fit to dispute. Please wire instructions.

GORDON GRANT.
ST. BONIFACE, MAN., October 2, 1909.

Mr. P. E. RYAN,
Secretary T. C. Ry. Commisison,
Ottawa, Ont.

DEAR SIR,—I wired you to-day under cypher as follows:—

‘Kelliher ignores the filed objections made by Woods; positively refuses to act unless allowed to investigate everything on the line as to classification or any other matters he may see fit to dispute. Please wire instructions.’

On my arrival in Winnipeg this morning, accompanied by Mr. Schreiber, I met Mr. Kelliher in his office, and I informed him that I was there ready to proceed with the arbitration of all matters under dispute as filed by Mr. Woods, the assistant chief engineer of the Grand Trunk Pacific, and in addition to that I was willing to arbitrate on all rock cuttings in the matter of overbreak. This Mr. Kelliher positively refused to agree to, insisting that he had the right to arbitrate on anything he liked, whether it had been a matter in dispute or not. I informed Mr. Kelliher I would wire the Commissioners informing them of his attitude in the matter. I await their instructions.

GORDON GRANT,
Chief Engineer.

WINNIPEG, MAN., October 2, 1909.

P. E. RYAN, Esq.,
Secretary, Commissioners of Transcontinental Ry.,
Ottawa.

DEAR SIR,—Replying to your letter of the 29th ultimo, which came to hand this morning, as I am not a party to the arbitration it is not my intention to submit any evidence or take any part in the proceedings.

SESSIONAL PAPER No. 42a

In view of the fact that the sub-contractors who performed the work in dispute are scattered throughout different parts of Canada, it would not be possible for me to properly adduce evidence, even if I desired to take part in the arbitration.

If Mr. Grant so requests, I will be glad to accompany the arbitrators and give them such information and assistance as I can.

J. D. McARTHUR.

OTTAWA, October 3, 1909.

GORDON GRANT,
Royal Alexandra Hotel,
Winnipeg.

Submit letter at once for Mr. Kelliher's signature unconditionally. Wire result.

P. E. RYAN.

WINNIPEG, MAN., October 3, 1909.

P. E. RYAN,
Transcontinental Railway.

Kelliher has not signed joint letter, but says he has no objections to signing it.

GORDON GRANT.

OTTAWA, October 3, 1909.

GORDON GRANT,,
Royal Alexandra Hotel,
Winnipeg, Man.

Wire quick has Kelliher signed joint letter.

P. E. RYAN.

OTTAWA, October 4, 1909.

E. J. CHAMBERLIN,
Vice-President and General Manager,
Grand Trunk Pacific Railway Co.,
Winnipeg, Man.

Secretary Ryan just in receipt of telegram from Chief Engineer Grant as follows: 'Kelliher will not sign joint letter' Cannot understand this. Letter Kelliher now refuses to sign identically similar, word for word, to that previously signed by him jointly with Mr. Lumsden. This provides for appointment of Mr. Schreiber as third arbitrator to settle matters in dispute, as shown by record, and as agreed by Kelliher and Lumsden. Grant's position exactly similar to what Lumsden's was at that time. Kelliher must sign letter jointly with Grant, as advised by Justice Department, so arbitration may proceed without further delay. We respectively insist in public interest, that this be done at once. Should Kelliher persist in refusal and arbitration not proceed as agreed, we will have to recall Grant, and responsibility will rest with your Company. Will await your wire reply before instructing Mr. Grant.

S. N. PARENT.

WINNIPEG, Man., October 4, 1909.

P. E. RYAN,
Secretary National Transcontinental Railway Commission,
Ottawa, Ont.

Kelliher states his instructions are Chamberlin's letter to Parent dated September 18, as far as mode of procedure goes, and wants an agreement signed same as the one previously submitted by the Grand Trunk Pacific and rejected.

GORDON GRANT.

9-10 EDWARD VII., A. 1910

OTTAWA, October 4 1909.

GORDON GRANT,
 Royal Alexandra Hotel,
 Winnipeg, Man.

Telegram received. Chairman has wired Chamberlain. Will telegraph you again on receipt of his reply.

P. E. RYAN.

WINNIPEG, Man., October 4, 1909.

P. E. RYAN,
 Secretary Transcontinental Railway Commission,
 Ottawa.

Kelliher will not sign joint letter.

GORDON GRANT.

WAINWRIGHT, ALTA., October 5, 1909.

Hon. S. N. PARENT,
 Chairman Trans. Ry. Comn.,
 Ottawa.

Have wired Kelliher to sign letter appointing third arbitrator and to proceed at once with arbitration, as per our letters. Trust you will instruct Mr. Grant to make examination thorough, and to take all the time necessary to settle all differences between Winnipeg and Moncton.

E. J. CHAMBERLIN.

WINNIPEG, MAN., October 5, 1909.

P. E. RYAN,
 Ottawa.

Mr. Kelliher, by instructions received to-night from Mr. Chamberlin, ignores objections filed by Mr. Woods and insists on examining and passing on everything. I will leave for Ottawa to-morrow morning.

GORDON GRANT.

OTTAWA, October 5, 1909.

GORDON GRANT,
 Royal Alexandra Hotel,
 Winnipeg, Man.

Your letter second instant and telegrams of second, third and fourth instant received and submitted to board. Chairman yesterday telegraphed Vice-President Chamberlin, Grand Trunk Pacific, as follows:—

‘Secretary Ryan just in receipt of telegram from Chief Engineer Grant as follows: ‘Kelliher will not sign joint letter.’ Cannot understand this. Letter Kelliher now refuses to sign identically similar, word for word, to that previously signed by him jointly with Mr. Lumsden. This provides for appointment of Mr. Schreiber as third arbitrator to settle matters in dispute, as shown by record, and as agreed by Kelliher and Lumsden. Grant’s position exactly similar to what Lumsden’s was at that time. Kelliher must sign letter jointly with Grant, as advised by Justice Department, so arbitration may proceed without further delay. We respectfully insist, in public interest, that this be done at once. Should Kelliher persist in refusal, and arbitration not proceed as agreed, we will have to recall Grant, and responsibility will rest with your company. Will await your wire reply before instructing Mr. Grant.’

SESSIONAL PAPER No. 42a

Ascertain if telegram received by Chamberlin, and what instructions, if any, issued to Kelliher. Latter cannot ignore objections filed by Woods on behalf of Grand Trunk Pacific, which constitutes matters in dispute to be settled by arbitrators. Kelliher's representatives on eastern division since commencement of construction for purpose of investigating everything on line and filing objections. They have done so. These objections arbitrators must consider and determine. Kelliher's attitude again delaying arbitration. Persistence in this will perhaps indefinitely delay it. If he adheres to refusal to sign joint letter, your instructions are to return to Ottawa. Show this telegram to Kelliher, and advise result.

P. E. RYAN.

WINNIPEG, MAN., October 6, 1909.

P. E. RYAN,
Ottawa.

Leaving here this morning on 96 for Ottawa.

GORDON GRANT.

WAINWRIGHT, ALTA., Oct. 6, 1909.

Hon. S. N. PARENT,
Ottawa, Ont.

We now find Engineer Grant refused to take up anything but a few specific cases and not make arbitration cover all matters in dispute as you agreed when I saw you in Ottawa, and by your letter later, therefore Mr. Kelliher rightly refused to go on with arbitration. When Mr. Grant is prepared to take up all matters in dispute, Mr. Kelliher will be ready to meet him.

E. J. CHAMBERLIN.

OTTAWA, October 7, 1909.

E. J. CHAMBERLIN,
Vice-President and General Manager
Grand Trunk Pacific Railway,
Winnipeg, Man.

Your telegrams fifth and sixth instant received yesterday almost simultaneously. Letter signed by Grant and which Kelliher refused to sign on your instructions provided for appointment of Schreiber as third arbitrator and for arbitration of all matters in dispute, as shown by letters of your Assistant Chief Engineer Woods. These are only matters of record in dispute, and we agreed they should be arbitrated. Grant advises, Kelliher wanted an agreement signed same as form of agreement dated May 14th last, submitted by you, which covered matters already determined and agreed on, such as interpretation of specifications, and which was rejected by us, but upon which the then arbitrators afterwards proceeded irregularly in District 'F,' which proceedings we protested against. My telegram to you of fourth instant correctly describes positions of Kelliher and Grant respectively, and responsibility confronting your company in matter. Grant was and is still ready to take up all matters in dispute as already indicated, and in view of result of his trip to Winnipeg. Kelliher had better meet him in Ottawa, if he decides to sign joint letter, so as to avoid further delay.

S. N. PARENT.

9-10 EDWARD VII., A. 1910

OTTAWA, October 7, 1909.

E. J. CHAMBERLIN, Esq.,
Vice-President and General Manager,
Grand Trunk and Pacific Railway Co.,
Winnipeg, Man.

Dear Mr. CHAMBERLIN,—Inclosed is a confirmation of my telegram to you of this date. I cannot see why Mr. Kelliher declined to sign the joint letter, which speaks for itself, since, in the first instance, he had done so with Mr. Lumsden before proceeding to arbitration differences.

As to what will have to be determined, the matters in dispute are of record. It has been agreed between us here that the proceedings should afford every protection to all concerned, in that they were to be thorough in every respect, covering all work to which objections had been filed. The position is made still clearer by the fact of Mr. Lumsden, before the first tribunal was formed, having asked for a detailed list of all such objections, which were duly produced by Mr. Woods, the assistant chief engineer of your company.

Under the special agreement he was and still is the officer named by your company to examine our estimates each month, send in objections when he sees fit, and determine, if possible, these differences with our chief engineer after the latter has considered them.

The idea was plainly to facilitate the work of joint supervision by your company, as provided for in the Act, and at the same time to place before the two chief engineers in ready form the matters to be finally settled, either by mutual accord or arbitration, as the case may be.

For reasons which have been explained, it is in the public interest that these differences should be promptly adjusted, and I hope, therefore, that you will instruct Mr. Kelliher to prevent further delay by consenting to sign the joint letter, and proceed at the earliest possible date in the matter. In that case, as we advised you in my telegram, the document had better be signed in Ottawa, after which the three of them can leave together for District 'F.' I think it will not inconvenience Mr. Schreiber to start on the trip next week.

S. N. PARENT,
Chairman.

OTTAWA, Oct. 11, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—As you are aware, Mr. Collingwood Schreiber, General Consulting Engineer to the Government, was recently proposed and accepted by me as Third Arbitrator to act with the chief engineer of the G. T. P. and myself in settlement of the questions in dispute which have arisen as a result of objections filed by the Grand Trunk Pacific Railway Company. I, in pursuance of the understanding between yourselves and the General Manager of the G. T. P. Railway, accompanied by Mr. Schreiber, left Ottawa on September 30, for Winnipeg, arriving there on Saturday morning the 2nd instant, and immediately waited on Mr. Kelliher, chief engineer of the G. T. P., and asked him to sign the joint letter appointing Mr. Schreiber and providing for the arbitration of the matters in dispute, as provided by section 7 of the agreement of 1903 between the government and the G.T.P. Railway Company. This letter which I attach hereto, and which was signed by myself and Mr. Schreiber, is exactly similar word for word to the joint letter previously signed by my predecessor, Mr. Lumsden, and by Mr. Kelliher and Mr. Schreiber when proceeding to arbitrate these matters in dispute, which proceedings were never completed owing to Mr. Lumsden's resignation. This letter Mr. Kelliher stated he had no objections to signing, but he would not sign it, giving as

SESSIONAL PAPER No. 42a

his reasons that until I consented to arbitrate on anything and everything that he liked to bring up he would not go out; that the arbitration was not to be confined to the filed objections of Mr. Woods, and until that had been agreed upon there was no use in his signing the letter.

I informed Mr. Kelliher that my instructions were to arbitrate on all complaints and objections as filed by Mr. Woods with the chief engineer of the Government, including all overbreak in rock cuttings. On this Mr. Kelliher informed me that, so far as he was concerned, he had no instructions, and that his only instructions was the Act of Parliament as contained in clause 7 of the Agreement between the Government and the Grand Trunk Pacific Railway Company.

In view of the attitude assumed by Mr. Kelliher, I left his office and wired you as per copy of telegram attached marked 'A,' and wrote you as per copy of letter attached marked 'B.'

On Monday morning, October 4, Mr. Schreiber and I called on Mr. Kelliher at his office, and I again asked him to sign the joint letter and go on with the arbitration, but he now positively refused to sign it, and read a letter from Mr. Chamberlin which stated that Mr. Kelliher's instructions were Mr. Chamberlin's letter to Mr. Parent dated September 18, 1909.

Mr. Kelliher also insisted in spite of the advice of the Deputy Minister of Justice to the contrary that I had no say in the appointment of a third arbitrator, that Mr. Lumsden's previous choice of Mr. Schreiber still held, and that another joint letter was not necessary. This of course was all in accordance with his instructions dated September 18. Not only was this the attitude assumed by Mr. Kelliher, but he also informed me that, before we went out, I would have to sign a formal agreement or submission similar to the one previously prepared by the authorities of the G. T. P. dated the 14th of May, 1909, which contained matters already determined and agreed on, and which you rejected. I told Mr. Kelliher to wire his general manager that I would do nothing of the kind, and again left his office. In the meantime he was in telegraphic communication with Mr. Chamberlin and received a telegram, copy of which I attach marked 'C.' On receipt of your telegram of October 5 I gave it to him to read. On Mr. Kelliher receiving a telegram from Mr. Chamberlin at 8.30 p.m., October 5, a copy of which I attach marked 'D,' he informed me that under no consideration would he now sign the joint letter. Consequently I wired you as per copy attached marked 'E,' and left for Ottawa next morning.

GORDON GRANT.

Chief Engineer.

'A'

ST. BONIFACE, MAN., October 2, 1909.

P. E. RYAN,

Secretary T. C. Ry., Ottawa.

Kelliher ignores the filed objections made by Woods. Positively refuses to act unless allowed to investigate everything on the line as to classification or to any other matters he may see fit to dispute. Please wire instructions.

GORDON GRANT.

'B'

ST. BONIFACE, MAN., Oct. 2, 1909.

Mr. P. E. RYAN,

Secretary N. T. Ry. Commission,
Ottawa, Ont.

DEAR SIR,—I wired you to-day under cypher as follows:—

Kelliher ignores the filed objections made by Woods and positively refuses to act unless allowed to investigate everything on the line as to classification or any other matters he may see fit to dispute. Please wire instructions.'

9-10 EDWARD VII., A. 1910

On my arrival in Winnipeg this morning accompanied by Mr. Schreiber, I met Mr. Kelliher in his office, and I informed him that I was there ready to proceed with the arbitration of all matters under dispute as filed by Mr. Woods, the assistant chief engineer of the Grand Trunk Pacific, and in addition to that I was willing to arbitrate on all rock cuttings in the matter of overbreak. This Mr. Kelliher positively refused to agree to, insisting that he had the right to arbitrate on anything he liked, whether it had been a matter in dispute or not. I informed Mr. Kelliher I would wire the commissioners informing them of his attitude in the matter, and await their instructions.

GORDON GRANT,
Chief Engineer.

‘C’

FROM EDMONTON, ALTA., October 4, 1909.

To B. B. KELLIHER, at Winnipeg.

Have letter from Mr. Parent in which he states he has sent letter of appointment of Mr. Schreiber as third arbitrator worded precisely the same as previous appointment on advice of Minister of Justice, who seems to think it necessary. Provided letter is same as original signed by you appointing Mr. Schreiber third arbitrator, you can sign this and go on with arbitration, provided there is no limit to the investigation.

E. J. CHAMBERLAIN.

‘D’

5th October, 1909, at Winnipeg.

To B. B. KELLIHER.

Mr. Parent's letter is explicit that all matters which we desire to bring up are to be discussed. You will therefore sign letter appointing Mr. Schreiber and start at once with them, but insist on examining and passing on everything in dispute. If you find any disposition after starting examination to curtail advise me promptly.

E. J. CHAMBERLIN.

‘E’

WINNIPEG, October 5, 1909.

To P. E. RYAN,
Sec. Trans. Cont. R'y,
Ottawa.

Mr. Kelliher by instructions received to-night from Mr. Chamberlin ignores objections filed by Woods, and insists on examining and passing on everything. I will leave for Ottawa to-morrow morning.

GORDON GRANT.

WINNIPEG, October 12, 1909.

Hon. S. N. PARENT,
Chairman, Transcontinental Railway Commission.

DEAR MR. PARENT,—I have your letter and telegram of the 7th, to which I replied as follows:—

‘You seem to misunderstand position Grand Trunk Pacific Railway. My agreement with you, which is outlined in your letter fifteenth, was that all differences were to be discussed on the ground in accordance with article seven of the agreement be-

SESSIONAL PAPER No. 42a

tween the Grand Trunk Pacific Railway and your government, and we are ready at any time to proceed on that basis. Mr. Grant declined to discuss and settle differences as above suggested. Therefore, delay rests entirely with your commission.'

As outlined in above message, you seem to misunderstand the position of this company. In my interview with you on September 15th, it was agreed that a thorough and complete examination should be made, and this seems to have been your understanding when writing your letter of that date, as you say:—

'As a result of our exchange of views this morning, it is now fully understood that the two chief engineers are to discuss all differences on the ground as they go along. Whenever these cannot be disposed of by mutual accord, Mr. Schreiber will be called in and the question at issue passed upon by the three of them sitting as an arbitration tribunal. In order that the proceedings may be exhaustive, as desired, evidence and witnesses can be produced by each side in support of its contentions.'

Mr. Kelliher was instructed accordingly, and held himself in readiness to meet Mr. Schreiber and Mr. Grant, but when Mr. Grant arrived in Winnipeg he seemed to have a misunderstanding of this arrangement, as he refused to discuss anything but differences specifically mentioned by Mr. Woods; for instance, Mr. Woods would write Mr. Grant complaining that classification, over-break, etc., etc., was bad on say section 'A,' and would mention that a cut say at mile 10 was especially bad, and Mr. Grant would only consent to examining the cut specifically mentioned. I think you will agree with me that this would not be fair to the contractors or to your engineers if the arbitrator was to say that all the other cuts were equally as bad, and I cannot believe that it was the intention of your commission that only that cut should be passed upon and all the others passed as 'good.' I say this, as I feel sure that your government and your commission are as anxious as this company to have all irregularities corrected. We therefore refuse to proceed on the basis claimed by Mr. Grant.

The original examination between Mr. Lumsden, Mr. Kelliher and Mr. Schreiber was started on May 22nd with district 'F,' and completed on June 5th. June 17th they started on district 'B' and finished on June 25th, when Mr. Lumsden was called back to Ottawa by your commission, and requested Mr. Kelliher in writing to postpone examination of the other sections until a later date. We have been ready to resume at any time and complete balance of examination. I trust, therefore, you will direct Mr. Grant to go on and make a full and exhaustive examination under clause 7 of our contract with the government.

I think you will agree with me that any acts or omissions on the part of Mr. Kelliher, Mr. Woods, Mr. Lumsden or Mr. Grant cannot set aside an Act of Parliament, and because Mr. Woods complained to your chief engineer in a general way that the classification, over-break, etc., etc., on a certain section was bad, and only mentioned one or two cuts as especially bad, that it would not mean that those cuts were the only ones which should be examined.

There is another reason why this examination should not be delayed, and that is that many of the claims of over-classification are in cuttings which will soon be frozen and impossible to examine before next spring.

Our position in this matter is that the arbitration should not be restricted to questions of classification and over-break on any limitation as to what shall be arbitrated other than it shall be such matters as we are not in agreement upon with the commission, and we feel that we should not be selecting arbitrators every once in a while, but that now we have, after a long delay, finally succeeded in agreeing upon a third arbitrator acceptable to both, all matters in dispute should be passed upon and settled without further delay.

Trusting that you will instruct Mr. Grant at once to proceed with a full and complete examination similar to that exercised on sections 'F' and 'B,' I remain,

E. J. CHAMBERLIN,

Vice-President and General Manager.

9-10 EDWARD VII., A. 1910

SUBJECT.

Joint supervision of the work of construction of the Eastern Division of the National Transcontinental Railway.

Statement of the fact from the correspondence file of the Commissioners and Chief Engineer indicating the method agreed on for carrying out the work of joint supervision in accordance with section 7 of the agreement between the Company and the Government, of July 29, 1903.

Also instructions issued by the Chief Engineer to the engineers on the line with respect to the work of joint supervision.

1. Method agreed on.

The general specifications for the construction of the Eastern Division were signed by Mr. F. W. Morse, Vice President and General Manager of the Grand Trunk Pacific Railway Company, and Mr. H. A. Woods, the Company's Assistant Chief Engineer, in April, 1905, and were approved by Order in Council on May 31, 1905, and approved by the directors of the Company on August 3, 1905.

On June 29, 1906, a joint conference was held in Ottawa between the Commissioners, Mr. H. D. Lumsden, the Chief Engineer, and Mr. Morse and Mr. Kelliher, Chief Engineer, and Mr. H. A. Woods, Assistant Chief Engineer of the Company, and a memo. dated June 27, 1906, on the joint supervision of the Eastern Division was submitted by Mr. Morse as follows:—

Joint Supervision of the Eastern Division.

June 27, 1906.

‘Memo. from Mr. Morse.’

‘Grand Trunk Pacific to appoint an engineer on each district as it goes to construction.’

‘Whenever a district goes to construction, the Commission to supply the Grand Trunk Pacific at their Montreal office, with the two prints of the map and profiles of final location. Map to show contour lines and all other usual data, profiles to show approximate quantities in each cut and fill with classification and all other information usually shown on a final location profile.’

‘Engineer for Commission to supply Grand Trunk Pacific engineer, at their Montreal office, with copies of all cross-section notes, &c., necessary to compute quantities for progress and final estimates.’

‘The relative district engineers to discuss fully any matter pertaining to the economic and efficient construction of the line, its buildings, structures and yards. In the event of an agreement not being arrived at, all matters to be referred, through the relative Chief Engineers, to the General Manager of the Grand Trunk Pacific, and the Commission for decision by them.’

‘The Grand Trunk Pacific Chief Engineer, or his representative, to have facilities for examining all estimates, vouchers, &c., so he will be able to advise his Company, and ensure the least delay to the approval of the Grand Trunk Pacific.’

‘On August 17, 1906, the General Manager of the Grand Trunk Pacific, wrote to the Chairman in part as follows:—

‘Referring to joint conference between yourself, the Commissioners, Chief Engineer H. D. Lumsden, Chief Engineer B. B. Kelliher, Assistant Chief Engineer H. A. Woods, and myself in your Board room on June 29, relative to a joint supervision of the Eastern Division at which time we left a memorandum giving roughly the manner in which we suggested this should be carried on, and which suggestion was approved of by you and your colleagues, and at which time you were kind enough to say that you would have prepared certain records and data for us, and that the arrangement would be put into effect upon my writing you.’

‘I will say I presume that by now the information referred to in the memorandum I left you is ready to be placed in the hands of our engineering department. We are

SESSIONAL PAPER No. 42a

also ready to take up the work of joint supervision, and I herewith repeat the request presented to you in memorandum, which is made in accordance with section 7 of the agreement of July, 1903, which provides for the joint superintendence, inspection and acceptance of the work on the Eastern Division of the National Transcontinental Railway by the Chief Engineers of the Government and the Railway Company.'

'The personnel of our engineering department having connection with this joint supervision will be Mr. B. B. Kelliher, Chief Engineer, Mr. H. A. Woods, Assistant Chief Engineer, Mr. W. E. Mann, District Engineer, Mr. John Armstrong, District Engineer.'

'It is the intention that Mr. Woods will devote himself almost exclusively to this portion of the line, and Messrs. Mann and Armstrong will at the present be assigned by you to sections 'F' and 'B.'

'On August 27, 1906. the Commissioners passed a resolution as follows:—

'Hon. S. N. Parent in the chair.

'Correspondence in regard to the request of the Vice-President and General Manager of the Grand Trunk Pacific Railway Company for certain information to enable that Company to, jointly with the Commissioners, supervise the construction of the Eastern Division of the National Transcontinental Railway, was submitted, and it was

'Resolved that the information requested be furnished to the Grand Trunk Pacific Railway Company, and that their engineer assigned to the Eastern Division be given access to the records of the Commission's District Engineers, so as to enable them to become acquainted with the situation.'

The following was also passed on the 25th day of August, 1906:—

'Resolved that the chief or acting chief engineer be authorized to consult from time to time with the chief engineer or assistant chief engineer of the Grand Trunk Pacific Railway Company, in compliance with clause No. 7 of the schedule of the National Transcontinental Railway Act.'

On October 3, 1907, Mr. Morse, in a letter to the chairman, requested that copies of all cross section notes governing payments that had been made be sent to him, and that hereafter this information be sent monthly, together with a copy of the detailed monthly estimates.

The Chief Engineer, Mr. Lumsden, on October 9, 1907, wrote the board stating that he had instructed district engineers, where construction is in progress, to make duplicate copies of cross-section notes for use of the Grand Trunk Pacific engineers, and discuss fully with them any matters pertaining to the economic and efficient construction of the line, and to give them every facility to examine the estimates, etc.; and further, that copies of such had been sent to the Grand Trunk Pacific as soon as received.

The correspondence does not show anything further in regard to the method of joint supervision and inspection, but it appears that a meeting was held on the 9th of January, 1908, and, as a result of that meeting, the following document was prepared and approved by the board on January 10, 1908:—

'Memorandum of agreement to be drawn up between the Commissioners of the Transcontinental Railway and the Grand Trunk Pacific Railway Company.

'Monthly estimates for contractors shall be submitted promptly from time to time by the chief engineer of the commissioners to the company's assistant chief engineer at Montreal for approval. If he has any objections to such estimates, he shall promptly file the same with the chief engineer of the commissioners, and any objections from time to time filed shall thereupon be considered and, if possible, be determined by the said engineers, and in case of their failure to agree, may then or at any time before or at the time of the final payment, at the option of either party, be considered and determined by arbitration, as provided in the agreement of the 29th July, 1903, but

9-10 EDWARD VII., A. 1910

in no case shall the payment of monthly estimates be delayed except with the consent of the commissioners.

‘In case the chief engineer of the commissioners and the assistant chief engineer of the company disagree as to the final payment, the same shall be withheld until the matter is determined by arbitration, as provided in the said agreement of 29th July, 1903.’

This memorandum was initialled by Mr. C. M. Hays, Mr. Lumsden and the Hon. Mr. Parent. After this memorandum was agreed to, the progress estimates were sent to the Grand Trunk Pacific at Montreal, and objections were subsequently filed by Mr. Woods on behalf of the company as to classifications in districts ‘B’ and ‘F,’ and ‘over-break’ in the latter district. On the 24th April, 1908, Mr. Lumsden, the chief engineer, reported to the board recommending that the objections be referred to arbitration, as provided by clause 7 of the agreement. This was approved by the board, and Mr. Lumsden instructed to notify Mr. Woods. Mr. Lumsden and Mr. Woods subsequently visited certain points on the work and failed to agree. As a result, Mr. Kelliher, the chief engineer of the Grand Trunk Pacific Company, wrote to Mr. Lumsden on November 16, 1908, with respect to these differences, and suggested Mr. Collingwood Schreiber as third arbitrator. On January 7 Mr. Lumsden wrote the commissioners concurring in Mr. Schreiber’s appointment. On February 1, 1909, Mr. Lumsden wrote Mr. Kelliher submitting letter to be signed by Mr. Kelliher and himself jointly, requesting Mr. Schreiber to act as third arbitrator, and pointing out that the only questions to be considered and determined were classification and over-break, in regard to which there had been correspondence between himself and Mr. Woods.

The joint letter, dated March 16, 1909, subsequently signed by Messrs. Kelliher and Lumsden, requesting Mr. Schreiber to act as third arbitrator, and on which Mr. Schreiber’s acceptance is endorsed, provides for the arbitration of the ‘questions now in dispute,’ and on which they had ‘failed to agree after visiting the work,’ and stated that these questions had arisen ‘as a result of objections filed by the company.’

INSTRUCTIONS ISSUED BY THE CHIEF ENGINEER TO THE ENGINEERS ON THE LINE.

On the 28th August, 1906, the acting engineer, Mr. MacPherson, notified the district Engineer of District ‘F’ that Mr. W. E. Mann had been appointed district engineer by the Grand Trunk Pacific to represent them for the joint supervision of the work, and giving him full instructions to furnish Mr. Mann with everything mentioned in the memo. of Mr. Morse of June 27, 1906, and similar instructions with notice of the appointment of Mr. Armstrong were sent by Mr. MacPherson to Messrs A. E. Doucet, and Hoars, of district ‘B,’ and on the 7th of September a copy of the resolution passed by the Board on the 27th of August 1906 was sent to Mr. A. E. Doucet, district engineer of ‘B,’ and A. E. Hodgins, district engineer of ‘F,’ and on the 10th of September, Mr. H. A. Woods, assistant chief engineer of the Grand Trunk Pacific, wrote Mr. Lumsden stating that the instructions given to the district engineers were satisfactory. On the 28th of September 1906, Mr. Woods wrote Mr. Lumsden asking whether their engineers were to have access to monthly estimates and vouchers for extra work. In answer to this Mr. Lumsden wrote Mr. Woods on the 2nd of October, 1906, stating that he saw no reason why those engineers should not have access to the contractors estimates and orders for extra work, as soon as such estimates have been approved for payment by him; and Mr. Lumsden notified the district engineers to that effect. Notices were also sent in November, 1906, by the chief engineer to the district engineers where construction was in progress to send copies of the cross-section notes on form 9 supplied by the Grand Trunk Pacific Railway Company for

SESSIONAL PAPER No. 42a

use of G. T. P. engineers, and to discuss fully with them any matters pertaining to the economic and efficient construction of the line, and to give them every facility to examine estimates.

OTTAWA, October 16, 1909.

GORDON GRANT, Esq.,
Chief Engineer.

DEAR SIR,—By direction of the Board, I beg to hand you herewith a copy of a letter from Mr. E. J. Chamberlin, Vice-President and General Manager of the Grand Trunk Pacific Railway, dated the 12th instant, *re* arbitration, and I am to request that you will report to the board in regard to the representations made therein with respect to the position taken by you at your recent meeting in Winnipeg with the chief engineer of the Grand Trunk Pacific Company *re* arbitration.

P. E. RYAN,
Secretary.

GRAND TRUNK PACIFIC RAILWAY,
OTTAWA, Oct. 18, 1909.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

SIRS,—Replying to the secretary's letter of the 16th instant asking for a report to the Board in regard to the representations made in a letter from Mr. Chamberlin, Vice-President and General Manager of the Grand Trunk Pacific Railway, dated the 12th instant.

With regard to this letter of Mr. Chamberlin's, I may say that I consider my report to you of the 11th instant is an answer to this letter, as it explains clearly what took place in Winnipeg between myself and Mr. Kelliher, but may add in regard to Mr. Chamberlin's statement that I misunderstood the agreement between himself and Mr. Parent, that I know nothing of any such agreement. What I did understand perfectly were my instructions, and those instructions governed my actions when dealing with Mr. Kelliher. With Mr. Chamberlin's views as to what is or is not to be arbitrated, I have nothing to say; I take my instructions from the Board in such matters.

With reference to Mr. Chamberlin's statement that Mr. Lumsden was called back to Ottawa by the Commission, I understand from you that you did not call Mr. Lumsden back to Ottawa, and in the records of my office I find a letter addressed by Mr. Lumsden to Mr. Schreiber dated June 22, 1909, in which he says:

'As it is important that I should be in Ottawa on the 24th instant, and the work of inspection of the Macdonell & O'Brien contract in connection with matters in dispute between the chief engineer of the Grand Trunk Pacific Railway and myself having been completed, I am unable to proceed further with the work at the present time.'

I understand from my secretary, who was also Mr. Lumsden's secretary, that the first time he wrote this letter to Mr. Schreiber, Mr. Lumsden stated that it was important that he should be in England early next month, that is, he, in his second letter, changed 'England' to 'Ottawa.' I believe this letter was written after consultation with Mr. Schreiber, but I can find no record in my office of Mr. Lumsden having asked Mr. Kelliher in writing to postpone examination of the other sections until later on. I may also add that the examination was finished on June 22nd, not June 25th as stated by Mr. Chamberlin.

With reference to Mr. Chamberlin's statement that 'you will agree with him that any acts or omissions on the part of Mr. Kelliher, Mr. Woods, Mr. Lumsden, or Mr

9-10 EDWARD VII., A. 1910

'Grant cannot set aside an Act of Parliament,' Mr. Chamberlin may speak with knowledge as to the acts or omissions of his own staff, as they are acting under his instructions, and as to what he knows about Mr. Lumsden's acts or omissions, I am unable to say, but, so far as I am concerned, there has been no act or omission on my part that could in any way affect an Act of Parliament, and I told Mr. Kelliher that, so far as I was concerned, it was the Commissioners I looked to for the interpretation of the Act and not the chief engineer of the Grand Trunk Pacific.

With regard to Mr. Chamberlin's statement that this arbitration should not be delayed I quite agree, and am ready, and have been ready for the past two months, as the records will show, to start on the arbitration the moment Mr. Kelliher signs the joint letter appointing the third arbitrator. Mr. Kelliher signed an exactly similar letter when submitted to him by my predecessor, Mr. Lumsden. His inconsistency in refusing to sign it when submitted by me and to proceed with the arbitration as he previously agreed to proceed with Mr. Lumsden is what is responsible for the delay.

GORDON GRANT,
Chief Engineer.

OTTAWA, October 20, 1909.

E. J. CHAMBERLAIN, Esq.,
Vice President and General Manager,
Grand Trunk Pacific Railway Co.,
Winnipeg, Man.

DEAR MR. CHAMBERLAIN,—In reply to your letter of the 12th inst., which was laid before the Board, I enclose copy of a report from our Chief Engineer dated the 18th inst., which covers the points you had raised.

A letter written by Mr. Grant (October 11) on his return from Winnipeg also attached, with several enclosures, states what exactly took place there, and our position in the matter.

The above documents show conclusively that Mr. Kelliher's refusal to sign the joint letters is not due to any attempt on our part to curtail in any way the arbitration of present differences as you would seem to intimate.

It is strange, as I had occasion to tell you verbally on your recent visit, that your Chief Engineer should have assumed such a stand. After our exchange of views, I thought the matter fully understood, and that there would be no room for equivocation.

We quite understand the position of your company. Some remarks you make and the useless trip made by Messrs. Schreiber and Grant west render it quite apparent. I must say that such a position is directly at variance with clause 7 of the agreement, with the spirit and letter of the special agreement signed on January 10, 1908, as to the method of joint supervision, and also with the views I had made plain when we discussed the subject together.

The Act provides in regard to arbitration 'That the questions in dispute shall be determined by the two Chief Engineers and a third arbitrator, &c.'

Until these questions have been ascertained, there can be nothing to arbitrate upon.

It is therefore quite proper that the joint letter should read: 'Some such differences having arisen as a result of objections filed by your Company, &c.'

This brings us to the Special Agreement just referred to. Its intent, as I pointed out to you before, was and should be still to enable your Company, by every reasonable means to exercise its right of joint supervision and make known its objections at the proper time, as outlined in a memorandum of Mr. Morse, dating as far back as June 27, 1906, a copy of which I subjoin. The agreement was framed to meet fully the wishes of your company under this head as appears from a comparison of the two texts.

SESSIONAL PAPER No. 42a

Arrangements were made by your Company to avail itself of the facilities thus given. You have district engineers to keep in close touch with the work, discuss all details of construction they may see fit, and report to Assistant Chief Engineer Woods when their views disagree with those of our engineers. The latter was placed in charge of that department with authority to examine estimates and file objections.

No other construction can rightfully be placed on all these arrangements than they are meant to furnish the material for the two Chief Engineers to discuss together and submit to a third arbitrator in the event of a failure to agree.

As shown by record, there are matters in dispute to be passed upon by the arbitration tribunal, when properly constituted. These are the only actual differences under examination, and I could not therefore have had anything else in mind when discussing the subject with you, either in conversation or in writing.

The above sums up our understanding. It was agreed that the examination should be thorough and cover all differences, which can only mean, of course, such matters as are now in dispute.

Just before the first proceedings took place, objected to as irregular and incomplete, Mr. Lumsden (February 1, 1909) wrote to Mr. Kelliher as follows:—

‘In regard to yours of the 19th ultimo. The questions of classification and overbreak are the only ones I can think of that have heretofore been repeatedly taken up in interviews with your late general manager, and about which there has been considerable correspondence between your Assistant Chief Engineer and myself, and these in my opinion, are the questions now to be submitted; other questions that may hereafter arise can be submitted from time to time.’

There can be no doubt as to what questions are at present in dispute. Nothing is changed in the situation as Mr. Lumsden outlined it. Hence the joint letter submitted for signature is the same, word for word. This had been explained in the course of our conversation. In your telegram of the 4th instant to Mr. Kelliher, you directed him to sign the letter, if similar to original, adding ‘and to go on with arbitration provided there is no limit to investigation.’ This came after Mr. Grant’s first interview with Mr. Kelliher on October 2, when he had informed your Chief Engineer that he was ready to proceed with the arbitration of all matters under dispute, as filed by Mr. Woods, and, in addition, that he was willing to arbitrate on all rock cuttings in the matter of overbreak. This, as stated by Mr. Grant in his letter of the same date, Mr. Kelliher positively refused to concur in, insisting that he had the right to arbitrate on anything he liked, whether it had been a matter of dispute or not. He thereby placed himself on record as determined to ignore objections previously filed.

By so doing Mr. Kelliher, I must again point out, is in direct contradiction with the very principle that should govern arbitration. His attitude, moreover, is not consistent with his action in signing the first letter. The truth is we might be justified in terming it, in the light of all these facts, as a breach of faith.

Until the letter is signed, nothing can be done, and it is our duty to protest both against the ground taken and the consequent delay.

S. N. PARENT,
Chairman.

OTTAWA, October 21, 1909.

H. A. WOODS, Esq.,
Assistant Chief Engineer, G.T.P. Ry.,
Montreal, P.Q.

DEAR SIR,—I beg to acknowledge receipt of your letter of the 5th instant in which you file objections to the classification as returned on contracts Nos. 4 and 5, in District ‘A.’

9-10 EDWARD VII., A. 1910

These objections cover work done one to two years ago, notwithstanding that the same was approved by your inspectors. This is contrary to the spirit and letter of the agreement of January 10, 1908, under which you were to file any objections promptly; and I have accordingly brought the matter to the attention of the commissioners. If there is any substantial ground for these objections, it is difficult to understand why they were not made as the work progressed. Indeed the company's inspectors on this work, placed there for the purpose of carrying out the joint supervision of the work in accordance with the agreement of 1903, have from time to time expressed themselves as entirely satisfied with the work as it progressed.

Objections have now been filed on behalf of the Grand Trunk Pacific Company to the classification on the following contracts:—

District 'A' —	Contract No. 4 —	G.T.P. Co.
" 'A' —	" 5 —	Kitchen Co.
" 'B' —	8 —	M. P. and J. T. Davis.
" 'B' —	" 15 —	Macdonnell and O'Brien.
" 'C' & 'D' —	" 14 —	G.T.P. Co.
" 'F' —	" 19 —	O'Brien, Fowler and McD.
" 'F' —	" 21 —	J. D. McArthur Co.

I have already withheld, and am still withholding, from the contractors' estimates, contracts Nos. 10 and 21, amounts sufficient to my judgment to cover the objections filed against the work on these contracts.

In view of the attitude adopted by the Grand Trunk Pacific Company with respect to arbitration these differences, and the consequent delay in proceeding with the arbitration, I feel that it is necessary to withhold payments on the other contracts on which objections have been filed, as follows:—

September estimates—Contract No. 14, Dist. 'C.'

October estimates—Contracts Nos. 4, 5, 8, 14 and 19. While no objections have been filed on contracts No. 11, G.T.P., District 'B,' and contract No. 20, G.T.P., District 'F,' from personal observation, I consider that over-classification has been allowed in some cases on these districts, and I have instructed the division engineer to have certain cuttings remeasured and reclassified. Consequently, I will also withhold payment of the October estimates on these two contracts. These amounts will be withheld to safeguard the position of the commissioners until I can satisfy myself in regard to the work.

This action is made doubly imperative by the course which your chief engineer has seen fit to adopt of repudiating your authority on the eastern division, so far as representing his views and the views of the company is concerned, which makes it impossible for me to proceed on the line with you with a view of coming to an agreement with respect to the objections filed. His attitude is made more inexplicable by his refusal to himself accompany me on the line with a view to a settlement of these differences. I have urged on Mr. Kelliher the necessity of his acting both by letters and telegrams, particularly in my telegram of the 8th instant, but he has so far not honoured me with so much as an acknowledgment of their receipt.

GORDON GRANT,
Chief Engineer.

OTTAWA, Oct. 22, 1909.

The Commissioners of the Transcontinental Railway,
Ottawa, Ont.

SIRS,—I beg to hand you herewith copy of a letter I yesterday sent to Mr. H. A. Woods, assistant chief engineer of the Grand Trunk Pacific Railway, in reply to a letter from him dated the 5th October, protesting against the classification as returned on contracts Nos. 4 and 5, district 'A.'

GORDON GRANT,
Chief engineer.

SESSIONAL PAPER No. 42a

OTTAWA, November 8, 1909.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY,
Ottawa, Ont.

RE ARBITRATION.

SIRS,—On assuming the position of your chief engineer, I found that disputes as to classification, &c., existed between the Commissioners' and the Grand Trunk Pacific Railway Company's District Engineers. I also found that there was in existence an agreement dated January 10, 1908, between the G. T. P. Ry. Company and the Commissioners whereby the G. T. P. Ry. Company agreed to file promptly with the chief engineer of the Commissioners any objections they might have to the work, and that such objections would thereupon be considered, and, if possible, settled by the chief engineer of the Commissioners and the assistant chief engineer of the G. T. P. Ry., or by arbitration under the Act at the option of either party. While the records show that the assistant chief engineer had filed such objections, they do not show that they were arbitrated on. Therefore, my first act on taking up the duties of my present position was to write to the assistant chief engineer of the G. T. P. Ry. requesting him, in conformity with the above agreement, to accompany me on the work with a view to settling all outstanding objections as filed by him. This he declined to do, and as the chief engineer of the G. T. P. Ry. was in British Columbia, and there was no immediate prospect of arbitration going on, I decided, for our protection, to hold back from the contractors' progress estimates sums of money sufficient, in my opinion, to cover any reasonable objection that could be made to the classification, and this money is still held back pending arbitration. I also wrote to the chief engineer of the G. T. P. Ry., and requested him to accompany me over the work with a view to settling all disputes, and should any case or cases arise that we could not agree on, they could be left to arbitration, as, until we could agree, there could not be anything to arbitrate. The action the chief engineer of the G. T. P. took in the matter was to send a copy of my letter to Mr. Schreiber.

As Mr. Lumsden had resigned as arbitrator before any report had been sent in with reference to the work he had gone over, in the latter part of September last, as a result of Mr. Chamberlin's interview with the chairman and the correspondence that followed, you decided that the arbitration would go on *de novo*. Pursuant to this decision I proceeded to Winnipeg, when, to my surprise, Mr. Kelliher positively refused to sign the joint letter appointing the third arbitrator, and I had no alternative but to return to Ottawa without going on the work at all.

As I am still holding up large sums of money from the contractors, and as the assistant chief engineer of the G. T. P. Ry. has recently filed objections to classification on districts 'A,' 'B,' 'D,' and 'F.' on work that was done one, two and three years ago, which is directly contrary to the agreement between yourselves and the G. T. P. Ry., and which, if persisted in, may lead to no end of complications between yourselves and the contractors, and which action on his part renders it necessary for me, for our protection, to hold back still further sums of money from the estimates, for doing which I am now receiving protests from the contractors, and as over a month has elapsed since my return from Winnipeg, and the season is now far advanced, I am of the opinion that the arbitration of these filed disputes should take place without any further delay, and as Mr. Kelliher and myself have failed to agree as aforesaid, the matter be at once referred to the Chief Justice of the Supreme Court of Canada as per clauses 4 and 7 of the Agreement between the Dominion Government and the Grand Trunk Pacific Railway Company dated the 29th of July 1903 for the appointment of a third arbitrator. If this appointment is made I will then be in a position to go over the line and refer all disputes as filed by the assistant chief engineer of the G. T. P. to the third arbitrator so appointed, and have these matters settled whether Mr. Kelliher sees fit to accompany us or not.

GORDON GRANT.

Chief Engineer.

9-10 EDWARD VII., A. 1910

MONTREAL, QUE., Nov. 8, 1909.

P. E. RYAN,
Transcontinental Railway,
Ottawa.

If agreement approved by Ministers and left with Dr. Pugsley Thursday last has been executed on behalf of Commissioners kindly return one original for our files.

W. H. BIGGAR.

OTTAWA, November 8, 1909.

W. H. Biggar,
General Solicitor,
Grand Trunk Pacific Ry. Co.,
Montreal, P.Q.

Replying your telegram even date. Nothing is known by Commissioners or undersigned of agreement referred to. Same has not been submitted to Commissioners.

P. E. RYAN,
Secretary.

To the Grand Trunk Pacific Railway Company:

You are hereby required to take notice that, pursuant to clauses 4 and 7 of the agreement of the 29th of July, 1903, made between His Majesty the King and the Grand Trunk Pacific Railway Company, application will be made by the Commissioners of the Transcontinental Railway to the Right Honourable Sir Charles Fitzpatrick, K.C.M.G., the Chief Justice of Canada, at the Supreme Court Chambers in the city of Ottawa, Ontario, on Thursday the eleventh day of November, instant, at eleven o'clock in the forenoon, to nominate and appoint a third arbitrator to act with Gordon Grant, Esq., chief engineer of the commissioners of the Transcontinental Railway, and B. B. Kelliher, Esq., chief engineer of the Grand Trunk Pacific Railway Company, to determine the questions now in dispute between the said engineers on objections specifically filed by the said company concerning and relating to the construction of the Eastern Division of the National Transcontinental Railway.

Dated at Ottawa, the eighth day of November, A.D., 1909.

The Commissioners of the Transcontinental Railway.

GORDON GRANT,
Chief Engineer.

P. E. RYAN,
Secretary.

H. ATKINSON,
Law Clerk.

To the Right Honourable,
Sir Charles Fitzpatrick, K.C.M.G.,
Chief Justice of Canada.

The application of the Commissioners of the Transcontinental Railway made under and pursuant to clauses 4 and 7 of an agreement made between His Majesty the King of the first part, and Sir Charles-Rivers Wilson, C.B., G.C.M.G., and others representing and acting on behalf of the Grand Trunk Pacific of the second part, dated 29th day of July, 1903, ratified and confirmed under an Act passed by the Parliament of Canada, intituled 'An Act respecting the construction of a National Transcontinental Railway,' chapter 71, 3 Edward VII.

The said commissioners appointed under section 9 of the said Act, and amending Act, cap. 24, sec. 11, 4 Edward VII., are charged with the construction of the

SESSIONAL PAPER No. 42a

Eastern Division of the said railway extending from the city of Moncton, in the province of New Brunswick, to the city of Winnipeg, in the province of Manitoba, and that the whole of the said division is now under construction.

That clause 7 of the said agreement provides that the said work shall be done according to specifications submitted to and approved of by the said company, and that the said work shall be done according to the said specifications and shall be subject to the joint supervision, inspection and acceptance of the chief engineer, approved by the government, and the chief engineer of the said company, and in the event of differences as to the specifications, or in case the said engineers shall differ as to the work, the question in dispute shall be determined by the said engineers and a third arbitrator to be chosen in the manner provided in clause 4 of the said agreement.

That during the progress of the work of construction the said company had engineers thereon and through their assistant chief engineer, filed with the commissioners from time to time certain objections to the work of construction, and pursuant to clause 7. Mr. Hugh D. Lumsden, chief engineer of the commissioners, and Mr. B. B. Kelliher, chief engineer of the company, arbitrated on the said objections and questions in dispute and failed to agree, and by joint letter chose Collingwood Schreiber, Esq., chief engineer, as third arbitrator. That the said three arbitrators during the months of May and June, 1909, proceeded to examine the said work of construction and the questions in dispute, but before concluding the same the said H. D. Lumsden tendered his resignation as chief engineer of the commissioners on or about the twenty-fifth day of June last, and his resignation was accepted by the government, whereupon the government appointed Mr. Gordon Grant as chief engineer of the said Eastern Division.

That in the month of October last Mr. Grant applied to Mr. Kelliher, the chief engineer of the Grand Trunk Pacific Railway Company, to sign a joint letter appointing said Mr. Schreiber the third arbitrator to act on said arbitration, but Mr. Kelliher refused to do so.

The commissioners therefore make this application to your lordship to appoint a third arbitrator as provided by the Act.

Dated this eleventh day of November, A.D., 1909.

The Commissioners of the Transcontinental Railway.

GORDON GRANT,
Chief Engineer.
P. E. RYAN,
Secretary.

OFFICE OF THE MINISTER OF RAILWAYS AND CANALS,
OTTAWA, November 13, 1909.

Hon. S. N. PARENT,
Chairman Transcontinental Railway Commission,
Ottawa.

DEAR MR. PARENT,—In pursuance of our discussion and decision of yesterday, I send you by Mr. Alward, for your signature, duplicate letter appointing Mr. Collingwood Schreiber as third arbitrator under paragraph 7, chapter 71 of the agreement of 1903. Also copy of the reference of submission. Kindly have Mr. Grant, chief engineer, sign the duplicate letter appointing Mr. Schreiber and then forward it to Mr. Kelliher for his signature, also kindly attach your signature to the article of submission and return one to me, which I will send to the Grand Trunk Pacific as soon as I get the letter of appointment signed.

GEO. P. GRAHAM.

9-10 EDWARD VII., A. 1910

MEMORANDUM OF AGREEMENT made the seventeenth day of November, A.D. 1909,

Between

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY, hereinafter called 'the Commissioners,' of the first part,

and

THE GRAND TRUNK PACIFIC RAILWAY COMPANY, hereinafter called 'the Company,' of the second part.

Whereas by paragraph 7 of the agreement bearing date the 29th day of July, 1903, and entered into on behalf of His Majesty the King and the Company, respectively, a copy of which agreement forms the schedule to chapter 71 of the Statutes of Canada, 1903, it is provided as follows:—

'7. In order to insure for the protection of the Company as lessees of the Eastern Division of the said railway, the economical construction thereof in such a manner that it can be operated to the best advantage, it is hereby agreed that the specifications for the construction of the Eastern Division shall be submitted to and approved of by the Company before the commencement of the work, and that the said work shall be done according to the specifications, and shall be subject to the joint supervision, inspection and acceptance of the chief engineer appointed by the Government and Chief Engineer of the Company, and in the event of differences as to the specifications, or in case the said engineers shall differ as to the work, the questions in dispute shall be determined by the said engineers and a third arbitrator, to be chosen in the manner provided in paragraph 4 of this agreement.'

And whereas a memorandum was on the 10th of January, 1908, initialed by S. N. Parent and H. D. Lumsden, on behalf of the Commissioners and Charles M. Hayes, on behalf of the Company, as follows:—

'Monthly estimates for contractors shall be submitted promptly from time to time by the Chief Engineer of the Commissioners to the Company's Assistant Chief Engineer at Montreal for approval. If he has any objection to such estimates, he shall promptly file the same with the Chief Engineer of the Commissioners and any objections from time to time filed shall thereupon be considered, and, if possible, determined by the said Engineers, and in case of their failure to agree, may then or at any time before or at the time of the final payment, at the option of either party, be considered and determined by arbitration as provided in the agreement of the 29th July, 1903, but in no case shall the payment of monthly estimates be delayed, except with the consent of the Commissioners.'

'In case the chief engineer of the commissioners and the assistant chief engineer of the company disagree as to the final payment, the same shall be withheld until the matter is determined by arbitration, as provided in the said agreement of 29th July, 1903.'

And whereas, on the sixteenth of March A.D., 1909, the chief engineer of the commissioners and the chief engineer of the company, in consequence of certain differences having arisen between them as a result of objections filed by the company, did appoint Collingwood Schreiber as third arbitrator for the determination of the said differences, by letter, in the words and figures following:—

' OTTAWA, March 16, 1909.

' COLLINGWOOD SCHREIBER, Esq.,

' General Consulting Engineer to the Government,

' Ottawa, Ont.

'DEAR SIR,—By clause 7 of the agreement between the government of Canada and the Grand Trunk Pacific Railway Company, dated the 29th July, 1903, being schedule to 3 Edward VII., chapter 71, in regard to the construction of the eastern

SESSIONAL PAPER No. 42a

division, it is provided that the work shall be done according to the specifications approved of by the Grand Trunk Pacific Railway Company, and shall be subject to the joint supervision, inspection and acceptance of the chief engineer appointed by the government and the chief engineer of the railway company, and in the event of differences as to the specifications, or in case the said engineers shall differ as to the work, the questions in dispute shall be determined by the said engineers and a third arbitrator to be chosen by them.

‘Some such differences having arisen as a result of objections filed by the company, we hereby beg to choose you as third arbitrator for the determination of the questions now in dispute, and on which we have failed to agree after visiting the work, and shall be pleased if you are agreeable to accept the office. In the event of your acceptance, a formal submission will be prepared and handed to you later.

‘HUGH D. LUMSDEN,
‘*Chief Engineer, Transcontinental Railway.*

‘B. B. KELLIHER,
‘*Chief Engineer, Grand Trunk Pacific Railway.*’

And whereas, the said Collingwood Schreiber did accept the said appointment by memorandum upon the said letter as follows:—

‘I hereby accept the above appointment.
‘22nd March, 1909.

‘COLLINGWOOD SCHREIBER.’

And whereas, after entering upon the work of such arbitration, but before the said arbitrators had made any report thereon, the said Hugh D. Lumsden had resigned the position of Chief Engineer of the Transcontinental Railway, and one Gordon Grant has since been appointed in his place as such chief engineer;

And whereas the said Gordon Grant, as such chief engineer, and B. B. Kelliher, chief engineer of the company, have by memorandum bearing even date herewith, a copy of which is attached hereto, appointed the said Collingwood Schreiber as third arbitrator for the purpose of dealing with *de novo* and determining, irrespective of any investigation heretofore made by the said Hugh D. Lumsden, B. B. Kelliher and Collingwood Schreiber, the said matters in difference between the said chief engineers as a result of or arising by reason of such objections filed on behalf of the company;

Now this agreement witnesseth that it is agreed that the said Gordon Grant, B. B. Kelliher and Collingwood Schreiber, as such arbitrators, shall proceed to deal with and determine all questions and differences between the commissioners and the company arising or as a result of objections filed on behalf of the company with the commissioners previous to the 10th day of January, A.D. 1908, and also all questions and differences arising out of or as a result of objections filed on behalf of the company with the commissioners up to the date hereof under and pursuant to the terms of the said memorandum of the tenth of January, 1908, it being understood that questions and differences not covered by or arising out of such objections shall not be dealt with by the said arbitrators.

It is understood that the said third arbitrator is to be called upon to act in the adjustment of such questions and differences only when the said Gordon Grant and the said E. B. Kelliher, the two respective chief engineers, fail to agree.

Each party shall have the right to produce evidence before the said arbitrators as to the matters in dispute.

Except as herein expressly agreed, neither the making of this agreement nor anything herein contained or done in pursuance hereof shall be deemed to operate as a waiver of or in any respect alter, limit, abridge or modify any of the rights of His

SESSIONAL PAPER No. 42a

Majesty the King, or of the company, under the said agreement of the 29th July, 1903, or under any term or provision thereof.

In witness whereof the said parties hereto have executed these presents on the day and year first above mentioned.

THE GRAND TRUNK PACIFIC RAILWAY COMPANY,

By CHAS. M. HAYS,

President.

HENRY P. PHILIPS,

Secretary.

THE COMMISSIONERS OF THE TRANSCONTINENTAL RAILWAY.

S. N. PARENT,

Chairman.

P. E. RYAN,

Secretary.

INDEX.

DATE, 1907.	FROM	To	PAGE.
7 Oct...	H. A. Woods.....	H. D. Lumsden	1
8 " ...	H. A. Woods.....	H. D. Lumsden	2
4 Nov...	H. A. Woods.....	H. D. Lumsden	3
1908.			
10 Jan...	S. N. Parent	Chas. M. Hays.....	3
14 " ...	Chas. M. Hays.....	S. N. Parent	4
15 " ...	S. N. Parent	Chas. M. Hays	4
14 Feb...	H. A. Woods.....	H. D. Lumsden.....	4
20 " ...	H. A. Woods.....	H. D. Lumsden	5
24 Mar...	H. A. Woods.....	H. D. Lumsden	5
30 " ...	H. A. Woods.....	H. D. Lumsden	6
21 April..	H. A. Woods.....	H. D. Lumsden	6
23 " ...	H. A. Woods.....	H. D. Lumsden	9
24 " ...	H. D. Lumsden	Commissioners.....	10
24 " ...	P. E. Ryan.....	H. D. Lumsden.....	10
6 May...	P. E. Ryan.....	H. D. Lumsden	10
7 " ...	H. D. Lumsden	P. E. Ryan.....	11
11 " ...	Sir Wilfrid Laurier	S. N. Parent	11
12 " ...	S. N. Parent	Sir Wilfrid Laurier.....	11
19 June ..	H. A. Woods.....	H. D. Lumsden	11
26 " ...	H. A. Woods.....	H. D. Lumsden	12
2 Oct ...	H. A. Woods.....	H. D. Lumsden	12
8 " ...	H. D. Lumsden	Commissioners.....	13
12 " ...	P. E. Ryan.....	H. D. Lumsden.....	13
16 Nov....	B. B. Kelliher.....	H. D. Lumsden.....	13
20 " ...	H. D. Lumsden	Collingwood Schreiber.....	14
21 " ...	C. Schreiber.....	H. D. Lumsden.....	14
1909.			
5 Jan....	P. E. Ryan.....	H. D. Lumsden.....	15
7 " ...	H. D. Lumsden.....	Commissioners.....	15
11 " ...	P. E. Ryan.....	H. D. Lumsden.....	15
1 Feb....	H. D. Lumsden.....	B. B. Kelliher.....	16
16 Mar...	Lumsden & Kelliher.....	C. Schreiber.....	16
14 May...	E. J. Chamberlin.....	H. D. Lumsden.....	17
15 " ...	H. D. Lumsden	E. J. Chamberlin.....	18
17 " ...	H. D. Lumsden	C. Schreiber.....	19
14 June ..	P. E. Ryan.....	C. Schreiber.....	19
19 " ...	J. D. McArthur.....	P. E. Ryan.....	20
19 " ...	J. D. McArthur.....	Commissioners.....	27
22 " ...	S. R. Poulin.....	S. N. Parent.....	21
23 " ...	A. E. Doucet.....	S. N. Parent.....	22
23 " ...	H. A. Woods.....	H. D. Lumsden.....	24
23 " ...	H. E. Huestes	Memorandum by	25
24 " ...	Macdonell & O'Brien.....	S. N. Parent.....	26
25 " ...	H. D. Lumsden	Commissioners.....	28
25 " ...	H. D. Lumsden	Hon. G. P. Graham.....	28
25 " ...	Commissioners.....	C. Schreiber and others.....	29
25 " ...	Special meeting of Commissioners.....	Report of	29
25 " ...	H. D. Lumsden.....	Commissioners.....	32
26 " ...	P. E. Ryan.....	Hon. G. P. Graham.....	31
26 " ...	P. E. Ryan.....	E. J. Chamberlin.....	37
26 " ...	H. D. Lumsden.....	Commissioners.....	32
26 " ...	P. E. Ryan.....	H. D. Lumsden and others.....	32
26 " ...	H. D. Lumsden	Hon. G. P. Graham.....	32
28 " ...	C. Schreiber.....	P. E. Ryan	33
30 " ...	Hon. G. P. Graham.....	H. D. Lumsden.....	33

DATE, 1909.	FROM	To	PAGE.
8 July...	H. A. Woods.....	H. D. Lumsden.....	35
8 "	H. D. Lumsden.....	Commissioners.....	33
12 "	B. B. Kelliher.....	P. E. Ryan.....	37
14 "	P. E. Ryan.....	Certified minute.....	37
21 "	S. N. Parent.....	H. A. Woods.....	38
21 "	Gordon Grant.....	H. A. Woods.....	38
21 "	P. E. Ryan.....	Gordon Grant.....	38
22 "	H. A. Woods.....	Gordon Grant.....	39
22 "	Gordon Grant.....	Commissioners.....	40
22 "	S. N. Parent.....	Chas. M. Hays.....	40
22 "	H. A. Woods.....	S. N. Parent.....	41
28 "	C. M. Hays.....	S. N. Parent.....	42
28 "	H. A. Woods.....	H. D. Lumsden.....	43
31 "	S. N. Parent.....	C. M. Hays.....	43
24 Aug....	Gordon Grant.....	Commissioners.....	44
26 "	Gordon Grant.....	Commissioners.....	46
26 "	Gordon Grant.....	B. B. Kelliher.....	46
31 "	Hon. G. P. Graham.....	S. N. Parent.....	48
2 Sept....	S. N. Parent.....	Hon. G. P. Graham.....	49
7 "	P. E. Ryan.....	Hon. G. P. Graham.....	50
9 "	C. B. Robinson.....	P. E. Ryan.....	50
14 "	Gordon Grant.....	Commissioners.....	50
14 "	Gordon Grant.....	Commissioners.....	51
15 "	S. N. Parent.....	E. J. Chamberlin.....	51
15 "	E. J. Chamberlin.....	S. N. Parent.....	52
18 "	E. J. Chamberlin.....	S. N. Parent.....	52
20 "	Gordon Grant.....	Commissioners.....	53
23 "	B. B. Kelliher.....	Gordon Grant.....	54
25 "	Gordon Grant.....	Commissioners.....	54
27 "	Gordon Grant.....	Commissioners.....	53
28 "	S. N. Parent.....	E. J. Chamberlin.....	54
28 "	E. L. Newcombe.....	S. N. Parent.....	55
29 "	Gordon Grant.....	C. Schreiber.....	55
29 "	P. E. Ryan.....	J. D. Mc Arthur.....	56
2 Oct....	Gordon Grant.....	P. E. Ryan.....	56
2 "	Gordon Grant.....	P. E. Ryan.....	56
2 "	J. D. McArthur.....	P. E. Ryan.....	56
3 "	P. E. Ryan.....	Gordon Grant.....	57
3 "	Gordon Grant.....	P. E. Ryan.....	57
3 "	P. E. Ryan.....	Gordon Grant.....	57
4 "	E. J. Chamberlin.....	B. B. Kelliher.....	62
4 "	S. N. Parent.....	E. J. Chamberlin.....	57
4 "	Gordon Grant.....	P. E. Ryan.....	57
4 "	P. E. Ryan.....	Gordon Grant.....	58
4 "	Gordon Grant.....	P. E. Ryan.....	58
5 "	E. J. Chamberlin.....	S. N. Parent.....	58
5 "	Gordon Grant.....	P. E. Ryan.....	58
5 "	P. E. Ryan.....	Gordon Grant.....	58
6 "	E. J. Chamberlin.....	S. N. Parent.....	59
6 "	Gordon Grant.....	P. E. Ryan.....	59
7 "	S. N. Parent.....	E. J. Chamberlin.....	59
7 "	S. N. Parent.....	E. J. Chamberlin.....	60
8 "	E. J. Chamberlin.....	S. N. Parent.....	55
11 "	Gordon Grant.....	Commissioners.....	60
12 "	E. J. Chamberlin.....	S. N. Parent.....	62
16 "	P. E. Ryan.....	Gordon Grant.....	67
18 "	Gordon Grant.....	Commissioners.....	67
20 "	S. N. Parent.....	E. J. Chamberlin.....	68
21 "	Gordon Grant.....	H. A. Woods.....	69
22 "	Gordon Grant.....	Commissioners.....	70
8 Nov....	Gordon Grant.....	Commissioners.....	71
8 "	P. E. Ryan.....	W. H. Biggar.....	72
8 "	W. H. Biggar.....	P. E. Ryan.....	72
8 "	Grant & Ryan.....	Grand Trunk Pacific Co.....	72
11 "	Gordon Grant.....	Sir C. Fitzpatrick.....	72
13 "	Hon. G. P. Graham.....	S. N. Parent.....	73
17 "	Agreement between G. T. P. R. and Commissioners.....		74

